

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Raul Pino, M.D., M.P.H.
Commissioner



Dannel P. Malloy
Governor
Nancy Wyman
Lt. Governor

Office of Health Care Access

Certificate of Need Final Decision

Applicant: Day Kimball Healthcare, Inc.
D/B/A Day Kimball Hospital
320 Pomfret St.
Putnam, CT 06260

Docket Number: 16-32142-CON

Project Title: Termination of MRI services at 39 Kennedy Drive, Putnam Connecticut and relocation of MRI services at Day Kimball Hospital's main campus located at 320 Pomfret Street, Putnam

Project Description: Day Kimball Healthcare, Inc., d/b/a Day Kimball Hospital ("Applicant" or "DKH") proposes to terminate its Magnetic Resonance Imaging ("MRI") services at 39 Kennedy Drive, Putnam CT and to relocate MRI services at DKH's main campus at 320 Pomfret Street, Putnam.

Procedural History: The Applicant published notice of its intent to file the Certificate of Need ("CON") Application in the *Norwich Bulletin* (Norwich) on December 8, 9 and 10, 2016. On January 3, 2017, the Office of Health Care Access ("OHCA") received the initial CON application from the Applicant for the above-referenced project. The CON application was deemed complete on March 2, 2017. OHCA received no responses from the public concerning the Applicant's proposal and no hearing requests were received from the public per Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a(e). In rendering her decision, Deputy Commissioner Addo considered the entire record in this matter.



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Findings of Fact and Conclusions of Law

1. The Applicant, a 122-bed acute-care hospital located at 320 Pomfret Street, Putnam, Connecticut, formerly operated a hospital-owned satellite MRI facility at 39 Kennedy Drive, Putnam. Ex. A, pp. 7; 2015 Financial Stability Report, Appendix S, p. 92.
2. Operation of the Kennedy Drive facility was established by DKH with approval from OHCA (10-31602-CON) in December 2010. The Applicant acquired a refurbished 1998 GE 1.0 Tesla (“T”) Signa Lx Magnet scanner primarily to scan orthopedic patients. Ex. A, pp. 7, 25-28, 82.
3. Concerns regarding the financial crisis at DKH, the poor financial performance of the Kennedy Drive MRI facility, low MRI volume and higher per unit costs began in 2013 and continued into the following year. Ex. A, p. 8.
4. The range of services offered at Kennedy Drive was limited by a lack of physician presence. The low MRI volume made it difficult to justify the placement of a physician when DKH’s main campus was one mile away. Ex. C, p. 102.
5. It was determined the services offered at Kennedy Drive were limited by the age of the equipment and range of the MRI’s capabilities compared to newer models. Ex. A, p. 8.
6. At 18 years old, the 1.0T MRI was no longer considered the standard in imaging. Ex. A, p. 11; Ex. D, p. 37.
7. The production and sale of 1.0T MRI scanners by major manufacturers had ceased over ten years ago, causing concern regarding the availability of parts. Ex. A, p. 11; Ex. C, p. 103.
8. Discussions over whether to invest in newer equipment, establish a physician presence and avenues to attract greater volume of referrals were explored but abandoned due to the significant investments that would be necessary by the financially distressed institution. Ex. A, p. 11.
9. On November 26, 2014, the Applicant terminated MRI services at Kennedy Drive and relocated the remaining services at the existing MRI operations on DKH’s main campus. Ex. A, pp. 7-8; Ex. C, p. 102.
10. DKH’s main campus currently operates a 1.5T scanner with available capacity and physician presence. Ex. A, pp. 8, 11.
11. DKH has extended MRI hours of operation at its main campus to 16 hours per day, 6 days a week. Ex. A, pp. 7, 11; Ex. C, p. 102.
12. In addition to the availability of the same transportation service options as Kennedy Drive, the main campus is also served by North East CT Transit. Ex. A, pp. 11-12; Ex. C, p. 103.

13. The 1.5T allows for a wider range of services, faster patient throughput and better image quality over a 1.0T MRI. Ex. A, pp. 8, 11-12, 25-28; Ex. C, p. 101.
14. Physician referral sources were notified of the closure of the Kennedy Drive facility and have directed patients to DKH’s main campus. Ex. A, p. 84.
15. The physicians that referred to the former Kennedy Drive facility have also referred to DKH’s main campus for MRI as well as for other hospital-based diagnostic services. Ex. A, pp. 13, 18.
16. DKH’s main campus utilizes the same scheduling system, is integrated into the same patient electronic medical record and results reporting process and is managed by the same personnel as Kennedy Drive. Ex. A, pp. 13, 18, 84.
17. No change is anticipated in the Applicant’s service area, which is shown below.

**TABLE 1
 SERVICE AREA TOWNS OF THE APPLICANT**

Ashford	Brooklyn
Canterbury	Chaplin
Eastford	Hampton
Killingly	Plainfield
Pomfret	Putnam
Sterling	Thompson
Woodstock	

Ex. A, pp. 17, 19.

18. The proposal would have minimal impact on other providers in the service area. The following providers offer MRI service in the Applicant’s service area:

**TABLE 2
 EXISTING MRI SERVICE PROVIDERS**

Service	Facility Name	Facility Address	Days/Hours of Operation
1.5T Mobile MRI	Day Kimball Hospital	320 Pomfret St. Putnam, CT	Sunday - Thursday 7:00 AM - 11:00 PM
1.5T Mobile MRI	Day Kimball Hospital	12 Lathrop Rd. Plainfield, CT	Saturday 9:00 AM - 1:00 PM Monday - Friday 9:00 AM - 5:00 PM
1.5T Mobile MRI	The William W. Backus Hospital	582 Norwich Rd. Plainfield, CT	Monday and Wednesday 7:00 AM - 9:00 PM Sunday 8:00 AM - 5:00 PM

Ex. A, pp. 18-19, 23; Table 8 of the Statewide Health Care Facilities and Services Inventory-2014.

19. Due to the health care market environment, the advent of high deductible health plans and stricter pre-certification criteria, DKH’s total MRI volume has declined annually since FY 2013. Below is the historical utilization at all MRI sites:

**TABLE 3
 HISTORICAL UTILIZATION OF MRI SITES BY SCANS**

Service	Actual Volume			
	FY 2013	FY 2014	FY 2015	FY 2016
1.5T Mobile MRI Main Campus	4,704	4,681	4,717	4,691
1.5T Mobile MRI Plainfield, CT	440	360	283	276
1.0T Fixed MRI Kennedy Drive	642	591	115	0
Total	5,786	5,632	5,115	4,967

*Applicant's fiscal year is from October 1 to September 30.
 Ex. A, pp. 16, 21.

20. The Applicant anticipates no net growth for the next three years.

**TABLE 4
 PROJECTED UTILIZATION OF MRI SITES BY SCANS**

Service	Projected Utilization by Service		
	FY 2017	FY 2018	FY 2019
1.5T Mobile MRI Main Campus	4,777	4,777	4,777
1.5T Mobile MRI Plainfield, CT	279	279	279
1.0T Fixed MRI Kennedy Drive	0	0	0
Total	5,056	5,056	5,056

*Applicant's fiscal year is from October 1 to September 30.
 Ex. A, pp. 16, 21; Ex. C, p. 104.

21. With a maximum capacity of 5,928 scans per year, the Applicant anticipates DKH's main campus can accommodate all patients previously scanned at Kennedy Drive. Ex. A, p. 8; Ex. C, p. 103.

22. Payer mix is anticipated to remain stable for the next three fiscal years with no impact on access to care for Medicaid recipients and the indigent.

**TABLE 5
 HOSPITAL'S CURRENT AND PROJECTED PAYER MIX**

Payer	Most Recently Completed FY 2016		Projected					
			FY2017		FY 2018		FY 2019	
	No.	%	No.	%	No.	%	No.	%
Medicare	1,654	33.30%	1,683	33.30%	1,683	33.30%	1,683	33.30%
Medicaid	1,082	21.79%	1,102	21.79%	1,102	21.79%	1,102	21.79%
CHAMPUS & TriCare	25	.51%	26	.51%	26	.51%	11	.51%
Total Government	2,761	55.60%	2,811	55.60%	2,811	55.60%	2,811	55.60%
Commercial Insurers	1,866	37.56%	1,899	37.56%	1,899	37.56%	1,899	37.56%
Uninsured	50	1.01%	51	1.01%	51	1.01%	51	1.01%
Workers Compensation	290	5.83%	295	5.83%	295	5.83%	295	5.83%
Total Non-Government	2,206	44.40%	2,245	44.40%	2,245	44.40%	2,245	44.40%
Total Payer Mix	4,967	100%	5,056	100%	5,056	100%	5,056	100%

*Applicant's fiscal year is from October 1 to September 30.
 Ex. A, pp. 13, 16, 22.

- 23. DKH's charity care policies and procedures will remain unchanged. Ex. A, pp. 13, 84.
- 24. There are no capital costs associated with this proposal. Ex. A, pp. 10, 14.
- 25. The Applicant anticipates an incremental gain of \$300,941, primarily from decreases in physician/professional fees and lease expenses.

**TABLE 6
 APPLICANT'S PROJECTED INCREMENTAL REVENUES AND EXPENSES**

	FY 2016	FY 2017	FY 2018
Revenue from Operations	\$0	\$0	\$0
Total Operating Expenses*	(\$220,988)	(\$300,941)	(\$300,941)
Gain/(Loss) from Operations	\$220,988	\$300,941	\$300,941

*No inflationary cost increases are included in projections.
 Ex. A, pp. 8, 12, 15-16, 20; Ex. C, pp. 104-105.

- 26. Reimbursement rates are not anticipated to change as a result of the proposal. Ex. A, pp. 14, 15.
- 27. DKH's main campus will continue to meet all national standards on culturally and linguistically appropriate services. Ex. A, pp. 12-13.
- 28. 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 regulations not yet adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
- 29. The proposal is consistent with the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2)).

30. The Applicant has established that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
31. The Applicant has demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).
32. The Applicant has satisfactorily demonstrated that the proposal will maintain quality, accessibility and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)).
33. The Applicant has shown that there would be no change in the provision of health care services to the relevant populations and payer mix, including access to services by Medicaid recipients and indigent persons. (Conn. Gen. Stat. § 19a-639(a)(6)).
34. The Applicant has satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7)).
35. The Applicant's historical provision of services in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).
36. The Applicant has satisfactorily demonstrated that this proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).
37. The Applicant has demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10)).
38. The Applicant has demonstrated that the proposal will not negatively impact the diversity of health care providers and patient choice in the region. (Conn. Gen. Stat. § 19a-639(a)(11)).
39. The Applicant has satisfactorily demonstrated that the proposal will not result in any consolidation that would affect health care costs or access to care. (Conn. Gen. Stat. § 19a-639(a)(12)).

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 Conn. Gen. Stat. § 19a-639(a). The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

The Applicant, Day Kimball Hospital, is a 122-bed acute-care hospital located in Putnam, Connecticut. From 2013 to 2014, concerns arose regarding the financial performance of the Hospital's satellite MRI facility, including declining scan volume, lack of a physician presence, higher per unit costs and limited services/capabilities due to the existing MRI's age. Investment in newer equipment and strategies to increase referral volume were explored but abandoned due to the significant investment that would be required by the financially distressed institution. On November 26, 2014, the Applicant terminated its MRI services at Kennedy Drive and relocated its remaining services to DKH's main campus. *FF 1-6, 8-9.*

Despite the termination, the Applicant has demonstrated that the quality and range of capabilities of the existing MRI scanner, coupled with increased physician presence and transportation options at DKH's main campus, will exceed what was previously available to patients. The additional transportation option will increase the accessibility of MRI services for all patients, including Medicaid recipients and the indigent. DKH's main campus has the available capacity and physician presence to accept additional volume. As a result of a reduction in expenses and economies of scale associated with consolidating MRI scanning at DKH's main campus, incremental gains are anticipated through FY 2018. *FF 4, 10, 12-13, 25.*

Imaging services at Kennedy Drive were financially and operationally unsustainable due to the Applicant's financially distressed status, declining MRI volume, lack of physicians and scanner age and capabilities. Eliminating MRI services at Kennedy Drive prevents the unnecessary duplication of health resources while providing financial stability and cost containment for the Applicant.


Order

Based upon the foregoing Findings of Fact and Discussion, the Certificate of Need application for Day Kimball Healthcare, Inc., D/B/A Day Kimball Hospital to terminate MRI services at 39 Kennedy Drive Putnam, Connecticut and to consolidate MRI services onto Day Kimball Hospital's main campus located at 320 Pomfret Street, Putnam, Connecticut is hereby **APPROVED**.

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

5/25/17
Date



Yvonne T. Addo, MBA
Deputy Commissioner