



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

June 7, 2006

Jay Duxin, M.D., President
Coastal Imaging, LLC
565 Long Hill Road
Groton, CT 06340

Re: Certificate of Need Determination, Report Number 06-30681-DTR
Coastal Imaging, LLC and Groton Open MRI, LLC

Dear Dr. Duxin:

On March 3, 2006, the Office of Health Care Access ("OHCA") received a response to its February 1, 2006 letter regarding the acquisition of a CT scanner at an imaging facility called Groton Open MRI at 565 Long Hill Road in Groton. Additional information was received on March 28, 2006. This CON determination inquiry was initiated by OHCA and is being reviewed under Report Number 06-30681-DTR. Please be advised that OHCA has reviewed the information and makes the following findings:

- 1) A new fixed base Hitachi Multi-Slice CT scanner was installed at this location on June 18, 2005. On June 29, 2005, Coastal Imaging, LLC d/b/a Groton Open MRI began providing CT scanning services to its patients at 565 Long Hill Road in Groton.
- 2) A patient bill for a CT scan performed on June 29, 2005 has been provided to OHCA. The patient bill was from "Groton Diagnostic Imaging" which lists the following radiologists: Jay R. Duxin, M.D., Paul D. Cardi, M.D., Jay M. Colby, M.D., Michael C. Niles, M.D. and Daniel C. Diffin, M.D.
- 3) Dr. Duxin is the sole equity holder of Coastal Imaging, LLC, a private medical practice. All professional and health related services at this office are furnished by the duly licensed radiologists of Coastal Imaging, LLC.
- 4) Groton Open MRI, LLC is the legal entity which fully owns the CT scanner, subject to a capital lease. Coastal Imaging, LLC subleases the unit from Groton Open MRI, LLC.
- 5) Groton Open MRI, LLC is the legal name of the practice management company currently engaged by Coastal Imaging, LLC. Since June 2005, Coastal Imaging has engaged the services of Groton Open MRI, LLC, to lease and furnish medical office space, imaging equipment and furniture and provide administrative services to Coastal Imaging, LLC. Groton Open MRI, LLC does not engage in the practice of radiology or any other medical practice.
- 6) Groton Open MRI, LLC is a New Jersey limited liability company. The owners of Groton Open MRI, LLC are ScanCare Associates, LLC (99%) and Marcus Spatidol (1%). It is unknown whether any member of Coastal Imaging, LLC has ownership interest in ScanCare Associates, LLC.

An Equal Opportunity Employer

410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Toll-Free: 1-800-797-9688
Fax: (860) 418-7053

- 7) In 2002, under CON Determination Report Number 02-T3, OHCA determined that a CON was not necessary for Coastal Imaging, LLC to acquire an MRI unit for a practice location at 565 Long Hill Road in Groton. The Applicant in that matter was Coastal Imaging, LLC d/b/a Professional Medical Services. Coastal Imaging, LLC indicates that its relationship with its practice management company has not changed since the issuance of the 2002 CON determination.
- 8) A global fee is billed under the Coastal Imaging, LLC provider number for the CT scanning services.
- 9) The following is noted from an Administrative Services and License Agreement between Groton Open MRI, LLC and Coastal Imaging, LLC, initially dated April 15, 2003:
 - a) Groton Open MRI, LLC provides to Coastal Imaging LLC the equipment together with upgrades. Coastal Imaging shall use the equipment only in connection with its private medical practice.
 - b) Groton Open MRI, LLC furnishes to Coastal Imaging, LLC use of the premises. The contractual obligation regarding "Use of the Office" has been redacted in the copy provided. Coastal Imaging, LLC pays Groton Open MRI, LLC a usage fee for the use of the office.
 - c) Groton Open MRI, LLC provides all medical supplies, including contrast materials.
 - d) Groton Open MRI, LLC provides all diagnostic imaging technologists for operation of the office during the hours that Coastal Imaging, LLC operates at the Office. The technologists shall provide services as the "leased employees" of Coastal Imaging, LLC and Coastal Imaging shall supervise them and exercise control over all actions taken by them as if they were directly employed by Coastal Imaging.
 - e) Groton Open MRI, LLC furnishes all clerical and non-medical personnel.
 - f) Coastal Imaging, LLC provides the physicians to conduct and manage the practice at this office. All radiologists shall be shareholders of, employees of or independent contractors of Coastal Imaging, LLC. These physicians shall supervise the technical provision of services, administer contrast, and provide interpretation, dictation and review of films and reports. These physicians shall provide on-site coverage at this location.
 - g) Coastal Imaging, LLC shall provide the Medical Director of the office.
 - h) Coastal Imaging (or its designee) shall furnish billing and collection services on behalf of itself. Coastal Imaging will bill in its own name for all services rendered by Coastal Imaging.
 - i) All revenues received by Coastal Imaging for services rendered by Coastal Imaging shall belong to Groton Open MRI, LLC. Coastal may deduct a billing and collection fee as compensation for the provision of the billing and collection services (page 6 of contract).
 - j) Coastal Imaging LLC shall determine the fees charged for services, make all medical decisions, oversee all medical personnel, make all decisions regarding distribution of net revenue to its physicians, make all decisions with respect to acceptance of a patient and have sole responsibility for quality of care and quality assurance program. The contract also indicates that "*Notwithstanding the foregoing, if applicable, the Group (Coastal Imaging) shall have no responsibility for conduct of any other medical practices that may utilize the Office, from time to time under an arrangement made with Company (Groton Open MRI)*"
 - k) A third signature (redacted) was included on this contract in regard to a specific section. It is not known what this third entity was and why it is included on this contract.
 - l) This contract was amended on April 29, 2004 to add a CT scanner to the list of equipment.

- 10) The Applicant provided an equipment quotation for the Hitachi CXR4 Multi-Slice CT scanner, accepted by Groton Open MRI, LLC on June 14, 2005. A \$10,000 down payment was made on the Hitachi unit by Groton Open MRI in June 2005. A cancelled check has been provided.
- 11) The capital costs related to this acquisition were as follows:
- | | |
|--|-----------------|
| Purchase of CT scanner (by Groton Open MRI, LLC) | \$320,500 |
| Sales tax on unit | \$ 19,230 |
| Construction Services Contract | \$ 48,400 |
| Rigging Charges | <u>\$ 2,950</u> |
| Total | \$391,080 |
- 12) The customer price quoted to Groton Open MRI, LLC by Hitachi included shipping and insurance.
- 13) The construction services contract was to create a CT scan lead shielded wall room and control room. These costs were incurred by Groton Open MRI, LLC.
- 14) The purchase agreement was not related to or contingent upon the acquisition or temporary lease of any other imaging equipment from Hitachi.
- 15) No capitalized service or warranty was purchased.

Based on the above findings, OHCA has determined that the Applicants are not required to file a Certificate of Need request for the acquisition of the CT scanner pursuant to Section 19a-639, C.G.S., as it was fully acquired and operational prior to the implementation of Public Act 05-93. The Applicant has provided to OHCA satisfactory evidence that it acquired the CT scanner for under \$400,000 prior to July 1, 2005.

From the information provided, Coastal Imaging, LLC appears to be structured as a private medical practice and not structured as a health care facility or institution. However, based upon the above findings, OHCA finds that the legal entity, Groton Open MRI, LLC, the owner of the imaging equipment, is structured as a Central Service Facility. Therefore, the entity, Groton Open MRI, LLC is itself a health care facility or institution and will be subject to Certificate of Need review for any future applicable projects under Sections 19a-638 and/or 19a-639 of the Connecticut General Statutes. In addition, please note that OHCA is concerned that this equipment may be used in the future by providers other than Coastal Imaging, LLC and that such use by multiple providers may require Certificate of Need review. OHCA must be notified in advance if and when such use by multiple providers happens.

If you have any questions concerning this letter, please contact Karen Roberts, Compliance Officer, at (860) 418-7001.

Sincerely,

Signed by Commissioner Vogel on June 7, 2006

Cristine A. Vogel
Commissioner

CAV:kr

Copy: Louis B. Todisco, Murtha, Cullina LLP (counsel for Applicant)