



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Alliance Imaging, Inc. and Johnson Memorial Hospital

Docket Number: 02-559

Project Title: Establish a Mobile Positron Emission Tomography (“PET”) Scanning Service at Johnson Memorial Medical Park

Statutory Reference: Sections 19a-638 and 19a-639, Connecticut General Statutes

Filing Date: March 14, 2003

Hearing: Waived

Decision Date: May 16, 2003

Default Date: June 12, 2003

Staff: Laurie Greci

Project Description: Alliance Imaging, Inc. and Johnson Memorial Hospital (“Applicants”) propose to establish a mobile Positron Emission Tomography (“PET”) scanning service at a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit. The proposed service will be operated at Johnson Memorial Medical Park, 148 Hazard Avenue, Enfield, Connecticut.

Nature of Proceedings: On March 14, 2003, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization for the establishment of a mobile PET scanning service at a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit. The proposed service will be operated at the Outpatient Imaging Center located in Johnson Memorial Medical Park. The Applicants are health care facilities or institutions as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On March 14, 2003, the Applicants requested a waiver of public hearing for the CON application pursuant to Section 19a-643-45 of OHCA’s Regulations and claimed that the proposal was non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. Notice to the public was published in *The Journal Inquirer* (Manchester, CT) pursuant to Section 19a-643-45 of OHCA’s Regulations. OHCA received no comments concerning the Applicants’ request for waiver of public hearing during the public comment period. Therefore, on April 21, 2003, OHCA granted the Applicants’ request for waiver of the public hearing.

OHCA’s authority to review and approve, modify or deny this application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections, 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

Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.

Clear Public Need

Contribution of the Proposal to the Accessibility of Health Care Delivery in the Region

Contribution of the Proposal to the Quality of Health Care Delivery in the Region

1. Johnson Memorial Hospital (“Hospital”) is an acute care hospital located at 201 Chestnut Hill Road, in Stafford Springs, Connecticut. (*March 14, 2003, CON Application, page 331*)
2. Alliance Imaging, Inc. (“Alliance”) is a company that provides diagnostic imaging and therapeutic systems and related technical support services, as well as management services, to hospitals and other health care providers. (*March 14, 2003, CON Application, page 592*)

3. The Applicants propose to establish PET scanning services at the Johnson Memorial Medical Park (“Medical Park”) in Enfield. Currently there are no PET services at the Hospital. *(March 14, 2003, CON Application, page 793)*
4. Alliance will supply the equipment and technical support for the provision of the Hospital’s PET services at the Medical Park on a mobile basis. Initially, service will be provided one day every other week and operate between 8 to 10 hours. *(March 14, 2003, CON Application, page 8)*
5. PET uses positron-emitting radiopharmaceuticals, or tracers, to identify, measure and follow physiologic processes. Unlike traditional nuclear medicine, PET looks at the metabolic activity or body function rather than at anatomy or body form. *(March 14, 2003, CON Application, page 6)*
6. The primary application of PET imaging is the detection and staging of various cancer types. *(March 14, 2003, CON Application, page 6)*
7. The fundamental mechanism for localization of cancer cells relates to the increase rate of glycolysis in tumor cells due to their anaerobic state, relative to normal tissue. The tracer used is metabolized at an increase rate resulting in a high count-rate differential between tumors and the background, or normal tissue. *(March 14, 2003, CON Application, page 6)*
8. The mobile PET service is intended to serve patients living in towns within Tolland and Hartford counties. The proposed service area includes the following towns: Ellington, Enfield, East Granby, Granby, Somers, South Windsor, Stafford, Suffield, Tolland, Union, Vernon, Windsor, and Willington. *(March 14, 2003, CON Application, page 8)*
9. The proposal will compliment the Hospital’s Phoenix Community Cancer Center (“PCCC”), also located in Enfield. Located at the PCCC are the following: a linear accelerator for radiation therapy, medical oncology services, social work services, nutrition consultation, educational programs, support groups, visiting nurse services, and additional services. With the addition of the PET services, the Hospital will be able to provide a total comprehensive cancer treatment program to its patients. *(March 14, 2003, CON Application, pages 8, 810 and 811)*
10. The other providers of PET scanning within the proposed service area include Manchester Memorial Hospital and Windham Community Hospital, via a contractual relationship with a mobile provider. *(March 14, 2003, CON Application, page 9)*
11. The Applicants state that the implementation of the new PET service will not affect the existing providers. Whereas each treating facility offering PET scans can only scan approximately eight patients per day, one day each week, the population of Connecticut will be better served by more access. Most cancer patients are sick and should not travel any great distance. Providing PET service in Enfield would create

access for patients who could otherwise not utilize such service locally. *(March 14, 2003, CON Application, page 9)*

12. The Applicants developed a need methodology based the average of the hospital's total cancer cases and then applied a 36% utilization factor. The utilization factor is composed of a number of factors: number of hospital beds, patients' service area, number of physicians on staff, whether the hospital has a cancer program and whether they have strong physician support. Through education and marketing, a 25% increase in volume can be expected to occur in the second and third years. *(March 14, 2003, CON Application, page 10)*
13. The numbers of projected PET scans for the first three years of operation are 98, 122, and 146 for year 1, 2, and 3, respectively. *(March 14, 2003, CON Application, page 10)*
14. Alliance has developed a Nuclear/PET Policy and Procedure Manual that the Hospital has indicated it will follow when providing the mobile PET scan services. *(April 12, 2002, CON Application, Attachment 8)*
15. In addition to the PET scanner, Alliance will provide the following services:
 - Management Personnel
 - Nuclear Medicine Technologist
 - Operations, Marketing and Customer Support Services
 - Transportation coordinator/driver
 - Mobile Van and Hot Lab
 - Provision of film storage media
 - Assistance with patient preparation and transport
 - Operation of the PET scanner
 - Participation in QA programs and utilization review programs*(April 12, 2002 CON Application, Page 19)*

**Financial Feasibility 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**

16. The proposal has a total capital cost of \$1,695,000 representing the fair market value of the PET unit, which consists of mobile PET Unit, including the van, the hot lab, and software. *(March 14, 2003, CON Application, page 16 and 793)*
17. There will be no capital costs for the pad accommodations at the Medical Center. The Medical Center's existing mobile pad is suitable for the PET scanner mobile van and no changes will be needed. *(March 14, 2003, CON Application, page 16)*

18. Alliance plans on purchasing a GE Standard Advance PET Imaging System using company equity. *(March 14, 2003, CON Application, page 17)*
19. Alliance will charge the Hospital on a fee per scan basis, dependent on the number of scans performed on a given day. These fees include the radiopharmaceuticals. *(March 14, 2003, CON Application, page 796)*
20. The Hospital's current and projected payer mix for each of the first three years of operation of the mobile PET scanner consists of 58% from Medicare/Medicaid reimbursement and 42% from commercial insurer payments. *(March 14, 2003, CON Application, page 18)*
21. The Applicants are projecting incremental increases in operating revenue relating to this project in the years 2003, 2004, and 2005 of \$925, \$7,444 and \$9,232, respectively. *(May 1, 2003, Letter from Fiscal Services at Johnson Memorial Hospital)*

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to principles and guidelines set forth in Section 19a-637, C.G.S.:

22. There is no State Health Plan in existence at this time. *(March 14, 2003, CON Application, page 7)*
23. The Applicants have adduced evidence that this proposal is consistent with their long-range plan. *(March 14, 2003, CON Application, page 8)*
24. The Applicants have improved productivity and contained costs through energy conservation, group purchasing, and the application of technology. *(March 14, 2003, CON Application, page 12)*
25. The proposal will not result in changes to the Applicants' teaching and research responsibilities. *(March 14, 2003, CON Application, page 14)*
26. There are no unique patient/physician mix characteristics related to this proposal. *(March 14, 2003, CON Application, page 14)*
27. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(March 14, 2003, CON Application, page 11)*

Rationale

Alliance Imaging, Inc. and Johnson Memorial Hospital (“Applicants”) propose to establish a mobile Positron Emission Tomography (“PET”) service to be operated at Johnson Memorial Medical Park in Enfield, Connecticut. For a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit, Alliance Imaging, Inc. (“Alliance”) will be contractually obligated to supply the equipment and technical support for the provision of the Hospital’s PET services, including the PET scanner, the mobile van with hot lab, and personnel. The proposed service will operate one day every other week.

PET scanning is an imaging modality for diagnosing neurological, cardiac and oncological conditions. Additionally, PET scanning is an effective imaging modality for managing the treatment of cancer and will result in enhanced quality of care. The Applicants are proposing to use the PET scanner predominantly for oncological purposes. The addition of the PET scanning service will complement the services provided by the Phoenix Community Cancer Center, also located in Enfield, allowing the Applicants to provide patients with a total comprehensive cancer treatment program.

Alliance has developed procedures and protocols related to the use of the PET scanner. Alliance will charge the Johnson Memorial Hospital (“Hospital”) on a fee per scan basis dependent on the number of scans performed on a given day. The Hospital is projecting incremental increases in operating revenues relating to this project for the first three years of operation. The financial projections relating to the operational aspects of this project appear reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certification of Need application of Alliance Imaging, Inc. and Johnson Memorial Hospital to establish a mobile Positron Emission Tomography scanning service at Johnson Memorial Medical Park at a total capital cost of \$1,695,000 representing the fair market value of the PET unit, is hereby GRANTED.

Order

The request of Alliance Imaging, Inc. and Johnson Memorial Hospital to establish a mobile Positron Emission Tomography (“PET”) scanning service at Johnson Memorial Medical Park in Enfield, Connecticut, at a total capital cost of \$1,695,000 representing the fair market value of the PET unit is approved subject to the following conditions:

1. The authorization shall expire May 16, 2004. Should the Applicants’ project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The capital cost of the proposal shall be \$1,695,000 and is allocated to Alliance for the acquisition of the mobile PET unit.
3. Alliance Imaging, Inc. shall not exceed the approved capital cost of \$1,695,000. In the event that the Applicants learn of potential cost increases or expects that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised project budget.
4. Alliance Imaging, Inc. and Johnson Memorial Hospital will provide the service at Johnson Memorial Medical Park in Enfield, Connecticut.
5. The future operating schedule between the Johnson Memorial Hospital and Alliance Imaging, Inc. shall be established based on joint operating needs and shall be at their discretion.
6. This authorization is for a PET scanning service. CON authorization is required if the Applicant chooses to establish a PET-CT scanning service.

7. Johnson Memorial Hospital, in conjunction with Alliance Imaging, Inc. , shall file utilization statistics for the PET scanning service on a quarterly calendar basis for two full years of operations. Each quarterly filing shall be submitted to OHCA by no later than one month following the end of each reporting period (e.g., January, April, July, and October). The initial report shall list the date on which the mobile PET scanning service commenced operation. The quarterly reports shall include the following:
- Total number of scans scheduled for the PET scanning service;
 - Total number of scans performed by the PET scanning service;
 - Average patient waiting time from the scheduling of the scan to the performance of the scan;
 - Number of scans by patient zip code;
 - Hours and days of operation for each week and in total; and
 - Number of scans by Medicare diagnostic code.

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

Date signed:
May 16, 2003

Singed by:
Mary M. Heffernan
Commissioner