



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: NRC Equipment Associates and SWC Corporation
d/b/a Norwalk Radiology & Mammography Center

Docket Number: 02-576

Project Title: Replacement of a Single Slice Spiral CT Scanner
with a Multidetector CT Scanner

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

Filing Date: March 18, 2003

Hearing: Waived

Decision Date: April 15, 2003

Default Date: June 16, 2003

Staff Assigned: Harold M. Oberg

Project Description: NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center (“Applicant”) proposes to replace an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281.

Nature of Proceedings: On March 18, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center for the replacement of an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Applicant requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On March 26, 2003, the Applicant was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in *The Hour* of Norwalk. OHCA received no comments from the public concerning the Applicant's request for waiver of hearing during the public comment period, and therefore on April 14, 2003, OHCA granted the Applicant's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, 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

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

Impact of the Proposal on the Applicant's 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. In 1985, a joint venture entity was formed by and among NRC Equipment Associates, Norwalk Radiology Consultants, P.C., N.R.C. Realty Associates and the Southwestern Connecticut Corporation ("SWC Corporation") doing business as Norwalk Radiology & Mammography Center. SWC Corporation is a for-profit corporate subsidiary of Norwalk Health Services Corporation, which is the parent corporation of Norwalk Hospital Association. *(January 27, 2003 CON Application, Page 1)*
2. NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center ("Applicant") is a diagnostic imaging center located at 148 East Avenue in Norwalk, Connecticut. The Applicant provides a full range of outpatient imaging services including digital mammography, CT scanning, ultrasound, x-rays, osteoporosis scanning, fluoroscopy and open MRI in conjunction with Norwalk Hospital. Norwalk Radiology Consultants, P.C. provides imaging services at the Applicant's office location and also provides radiology services for Norwalk Hospital. *(November 20, 2002 Letter of Intent, Pages 1, 3 and Project Description)*
3. The current patient population served by the Applicant's physician office practice is approximately 150,000 and includes outpatients referred by physicians who practice primarily in the towns of Norwalk, Westport, Weston, Wilton and New Canaan. In addition, incidental referrals are received from referring physicians located in Darien, Stamford, Ridgefield, Danbury and Fairfield. *(January 27, 2003 CON Application, Page 3)*

4. The Applicant proposes to replace an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281. *(January 27, 2003 CON Application, Pages 1 and 10)*

5. The Applicant proposes to replace one of its two existing single slice CT scanners that has become technologically obsolete. A Certificate of Need (“CON”) was not required at the time the Applicant’s existing single slice CT scanner was acquired because it was purchased and installed for less than the \$400,000 CON threshold. *(January 27, 2003 CON Application, Page 1 and February 26, 2003 Completeness Responses, Page 1 and Attachment 1)*

6. The Applicant stated that the proposed General Electric Gold Seal LightSpeed multidetector CT scanner utilizes multislice technology that is superior to single slice spiral CT scanning for nearly all clinical applications. The multidetector CT scanner is faster and can obtain thinner slices, producing increased spatial resolution, improved temporal resolution, decreased artifact, decreased contrast usage, increased tube life, increased throughput, and new CT scanning non-invasive testing capabilities not adequately performed with a single slice CT scanner. *(January 27, 2003 CON Application, Pages 2 and 3)*

7. The Applicant stated that CT angiography for cerebral, carotid and peripheral studies may be performed using the multidetector CT scanner, and that this technique is non-invasive, obviating the need for anesthesia, nursing or direct physician care, and would result in decreased contrast requirements. Oncologic imaging is much improved with thin section multidetector imaging, where there is improved pancreatic cancer and hepatic tumor detection and staging. Pediatric patients can be scanned without sedation. Large-sized patients will have access to improved image quality studies using the multislice CT scanner. Cardiac pulmonary venous mapping for arrhythmias, brain CT perfusion studies for cerebral vascular accidents, 3D presurgical planning for hepatic surgery and partial nephrectomies will be available using the multidetector CT scanner. *(January 27, 2003 CON Application, Page 3)*

8. The Applicant added a second CT scanner at its Norwalk office in September 2001. The Applicant’s actual CT procedure volume is as follows: *(March 18, 2003 Completeness Responses, Attachment 4)*

Table 1: Applicant’s Actual CT Procedure Volume for FY 1998 through FY 2002

Description	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Actual CT Procedures	5,087	5,462	6,699	7,612	10,697

9. The Applicant’s projected CT procedure volume is as follows: *(April 2, 2003 Supplemental Completeness Responses, Attachment 2)*

Table 2: Applicant’s Projected CT Procedure Volume for FY 2003, FY 2004 and FY 2005

Description	FY 2003	FY 2004	FY 2005
Projected CT Procedures – Without the CON Proposal	12,302	14,147	16,269
Projected CT Procedures - Incremental	2,024	3,036	3,036
Projected CT Procedures – With the CON Proposal	14,326	17,183	19,305

10. The Applicant's diagnostic imaging center operates on Monday through Friday from 8:00 a.m. to 5:00 p.m. The days and hours of operation will not change as a result of the implementation of the CON proposal. *(March 18, 2003 Completeness Responses, Page 1)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services**

11. The Applicant's total capital expenditure of \$805,281 for the CON proposal includes the following capital expenditure components: *(January 27, 2003 CON Application, Page 10)*

Table 3: Applicant's Total Capital Expenditure including Financing Costs

Description	Amount
Multidetector CT Scanner	\$ 634,652
Construction/Renovations	27,000
Capital Expenditure	\$ 661,652
Capitalized Financing Costs	143,629
Total Capital Expenditure including Financing Costs	\$ 805,281

12. The CON proposal's total capital expenditure of \$805,281 including capitalized financing costs will be financed entirely by debt financing through a conventional loan. The Applicant's conventional loan would include a term of seven years, a 5.75% interest rate and 84 payments of \$9,586.68 per month for the replacement multidetector CT scanner to be acquired. *(February 26, 2003 Completeness Responses, Attachment 4)*

13. The Applicant projects incremental revenue from operations, total operating expense and revenue over expense associated with the CON proposal as follows: *(April 2, 2003 Supplemental Completeness Responses, Attachment 2)*

Table 4: Applicant's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$746,856	\$1,120,284	\$1,120,284
Incremental Total Operating Expense	215,497	422,098	432,679
Incremental Revenue Over Expense	\$531,359	\$ 698,186	\$ 687,605

14. After implementation of the replacement multidetector CT scanner, the Applicant's CT rates per procedure would remain the same as its current CT rates. *(February 26, 2003 Completeness Responses, Attachment 6)*

15. The Applicant anticipates that the replacement multidetector CT scanner would begin operating in May 2003. The Applicant stated that the projected incremental revenue over expense amounts and the related incremental volume increases forecasted in each year are due to the operating efficiencies and faster scan times resulting from the utilization of the replacement multidetector CT scanner. The Applicant based its financial projections on an additional 12 procedures per day operating for 253 days per year with an average charge of \$856 per CT procedure. *(April 2, 2003 Supplemental Completeness Responses, Page 2 and Attachment 1)*

16. The Applicant's projected payer mix during the first three years of the implementation and operation of the replacement multidetector CT scanner is as follows: *(January 27, 2003 CON Application, Page 14)*

Table 5: Applicant's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	27.3%	27.3%	27.3%
Medicaid	0.2%	0.2%	0.2%
TriCare	0.0%	0.0%	0.0%
Total Government	27.5%	27.5%	27.5%
Commercial Insurers	68.1%	68.1%	68.1%
Self-Pay	2.0%	2.0%	2.0%
Workers Compensation	1.4%	1.4%	1.4%
Total Non-Government	71.5%	71.5%	71.5%
Uncompensated Care	1.0%	1.0%	1.0%
Total Payer Mix	100.0%	100.0%	100.0%

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

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

17. There is no State Health Plan in existence at this time. *(January 27, 2003 CON Application, Page 2)*
18. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(January 27, 2003 CON Application, Page 2)*
19. The Applicant indicates that the proposal will provide benefits to its teaching responsibilities, since the Applicant's radiologists teach radiology residents at Norwalk Hospital. The addition of the replacement multidetector CT scanner will provide exposure for these residents to the different imaging techniques required on this type of CT scanner, and will provide greater versatility in the Applicant's teaching armamentarium. *(January 27, 2003 CON Application, Page 7)*
20. There are no distinguishing or unique characteristics of the Applicant's patient/physician mix related to the proposal. *(January 27, 2003 CON Application, Page 8)*
21. The Applicant has implemented various activities to improve productivity and contain costs that involve energy conservation, reengineering, group purchasing and the application of new technology. *(January 27, 2003 CON Application, Page 7)*
22. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(January 27, 2003 CON Application, Attachments 4 and 5)*

Rationale

NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center (“Applicant”) proposes to replace an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281. The Applicant proposes to acquire and operate a General Electric Gold Seal LightSpeed multidetector CT scanner, which would represent a significant upgrade from the quality and capability of the single slice spiral CT scanner to be replaced by the Applicant.

The Applicant stated that the proposed replacement multidetector CT scanner utilizes multislice technology that is superior to single slice spiral CT scanning for nearly all clinical applications. The multidetector CT scanner is faster and can obtain thinner slices, producing increased spatial resolution, improved temporal resolution, decreased artifact, decreased contrast usage, increased tube life, increased throughput, and new CT scanning non-invasive testing capabilities not adequately performed with a single slice CT scanner.

The Applicant stated that CT angiography for cerebral, carotid and peripheral studies may be performed using the multidetector CT scanner, and that this technique is non-invasive, obviating the need for anesthesia, nursing or direct physician care, and would result in decreased contrast requirements. Pediatric patients can be scanned without sedation, and large-sized patients will have access to improved image quality studies using the multislice CT scanner. Therefore, OHCA finds that the CON proposal will improve both the quality and accessibility of the Applicant’s current CT scanning services.

The CON proposal’s total capital expenditure of \$805,281, which includes capitalized financing costs, will be funded entirely by debt financing through a conventional loan. The Applicant projects incremental CT procedures of 2,024 in FY 2003, 3,036 in FY 2004 and 3,036 in FY 2005 resulting from the CON proposal. In addition, the Applicant projects incremental revenue over expense of \$531,359 in FY 2003, \$698,186 in FY 2004 and \$687,605 in FY 2005 due to the CON proposal. The Applicant would charge the same rates for its CT procedures that it currently charges. The Applicant stated that the projected incremental revenue over expense amounts and the related incremental volume increases forecasted in each year are due to the operating efficiencies and faster scan times resulting from the utilization of the replacement multidetector CT scanner. The Applicant’s volume projections and the financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center to replace an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281, is hereby GRANTED.

Order

NRC Equipment Associates and SWC Corporation d/b/a Norwalk Radiology & Mammography Center (“Applicant”) is hereby authorized to replace an existing single slice spiral CT scanner with a multidetector CT scanner, at a capital expenditure of \$661,652, which does not include capitalized financing costs, plus \$143,629 in capitalized financing costs for a total capital expenditure of \$805,281, subject to the following conditions:

1. This authorization shall expire on April 30, 2005. Should the Applicant’s CT scanner replacement project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved capital expenditure of \$661,652. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Applicant’s existing single slice spiral CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant’s Norwalk office or any other affiliated office practice location. Furthermore, the Applicant will provide evidence to OHCA of the disposition of the single slice spiral CT scanner by no later than six months after the replacement multidetector CT scanner has become operational.

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:
April 15, 2003

Signed by:
Mary M. Heffernan
Commissioner

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