



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Jefferson Radiology, PC

Docket Number: 06-30804-CON

Project Title: Acquisition of an Open Bore 1.5 Tesla MRI Scanner for the Applicant's Glastonbury Office

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

Filing Date: November 9, 2006

Decision Date: February 6, 2007

Default Date: February 15, 2007

Staff Assigned: Paolo Fiducia

Project Description: Jefferson Radiology, PC ("Applicant") proposes to acquire an open bore 1.5 Tesla Magnetic Resonance Imaging ("MRI") Scanner for its Glastonbury office, at a total capital cost of \$2,144,163.

Nature of Proceedings: On November 9, 2006, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Jefferson Radiology, PC seeking authorization to acquire an open bore 1.5 Tesla Magnetic Resonance Imaging ("MRI") Scanner for its Glastonbury office, at a total capital cost of \$2,144,163.

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published in the *Hartford Courant* on August 4, 2006. OHCA received no responses from the public concerning the Applicant's proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 30, 2006, the twenty-first calendar day following the filing of the Applicant's CON Application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public by November 30, 2006.

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

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. Jefferson Radiology, P.C. ("Applicant") is a private practice physician's group, offering sub-specialized diagnostic and interventional imaging services. The group's 39 radiologists are all board certified and licensed to practice in the State of Connecticut. *(November 9, 2006, CON Application, Page 9)*
2. The Applicant offers professional services in six office locations, which are situated in the following towns: Avon, Enfield, Glastonbury, Hartford, West Hartford and Wethersfield. The Applicant also provides radiology services to the four following acute care hospitals: Hartford Hospital, Johnson Memorial Hospital, Connecticut Children's Medical Center and Windham Community Memorial Hospital. *(November 9, 2006, CON Application, Page 9)*
3. The Applicant's Glastonbury office is located at 704 Hebron Avenue and offers the following imaging services: computed tomography ("CT"); MRI (high field closed and open); ultrasound; digital mammography; nuclear medicine; fluoroscopy; bone densitometry ("DEXA"); diagnostic x-ray and vascular ultrasound. *(November 9, 2006, CON Application, Page 9)*
4. On July 16, 2002, the Office of Health Care Access ("OHCA") rendered a CON determination under Report Number: 02-A2, informing Jefferson Radiology that it did not need to obtain CON approval to acquire an open MRI scanner for its Glastonbury office as the acquisition cost of the proposed open MRI scanner was below the \$400,000 CON capital threshold for imaging equipment. *(July 16, 2002, CON Determination, Report Number 02-A2)*
5. The Applicant proposes to undertake the following project at its Glastonbury office: *(November 9, 2006, CON Application, Pages 12 and 22)*
 - Acquire and operate a new Siemens, 1.5 Tesla Open Bore Magnetom Espree MRI scanner; and
 - Renovate existing space within its office to accommodate the proposed scanner.
6. The Applicant is requesting the acquisition of the proposed 1.5 Tesla Open Bore MRI scanner based on the following factors: *(November 9, 2006, CON Application, Page 10)*
 - The current Hitachi equipment has quickly become very limited and cannot be used for a growing number of sophisticated MRI studies such as dynamic breast

- cancer imaging, contrast enhanced MR angiography of the chest, abdomen, pelvis or extremities, diffusion weighted brain imaging, dynamic abdominal breath-hold imaging, and musculoskeletal imaging using chemical fat saturation;
- Larger/obese patients and those suffering from claustrophobia that require more detailed scans cannot be scanned on the high field closed magnet and the low field open magnet unit does not produce the detailed image that is required; and
 - The proposed equipment will offer a higher magnet strength which will improve the following: image quality, access to high resolution scanning for large/obese and claustrophobic patients, efficiency and the cost effectiveness of MRI imaging services in the Glastonbury office.
7. The Applicant states that the primary service area towns for the existing MRI service are Glastonbury, Wethersfield, East Hartford, Rocky Hill, and Manchester. The secondary service area encompasses the towns of Vernon/Rockville, South Windsor, Newington, Hartford, Cromwell, Colchester and Marlborough. Based on the Applicant's historical MRI volumes, the primary service area constitutes greater than 60% of the office's MRI volume, while the secondary service area constitutes an additional 23% of the office's MRI volume. *(November 9, 2006, CON Application, Pages 13)*
8. The actual MRI volume for the Applicant's Glastonbury operation and its associated annual percentage increase for fiscal years ("FYs") 2003 through 2006 is as follows: *(April 7, 2006, CON Application, Page 13)*

Table 1: Actual MRI Volume for FYs 2003 through 2006

Description	FY 2003	FY 2004	FY 2005	FY 2006 (Jan-Sept)	Estimated FY 2006
Closed Bore	4,741	5,934	6,076	4,874	6,500
Open Bore			1,316	1,065	1,420
Total	4,741	5,934	7,392	5,939	7,920
% Increase		25%	24.6%		7%

Note: The data presented by the Applicant could not be verified by OHCA.

9. The Applicant's projected MRI volumes for FYs 2007 through 2009 with the proposed scanner is presented in the following table: *(November 9, 2006, CON Application, Page 15)*

Table 2: Projected MRI Volume for FYs 2007 through 2009 with the Proposal

Projected MRI Volume	FY 2007 (9 Months)	FY 2008	FY 2009
Existing 1.5 T closed magnet	4,905	6,540	6,540
Proposed 1.5 T open magnet	2,130	3,408	4,090
Total MRI Scans	7,035	9,948	10,630

Note: The data presented by the Applicant could not be verified by OHCA

10. The Applicant based its MRI volume projections on the following factors: *(November 9, 2006, CON Application, Page 16)*
- Due to the current level of demand, 5-7 day waiting list and extended hours of operation of the existing closed magnet, the proposed magnet volume is assumed to be 8 exams per day in the first year of operation (9 months of 2007);

- Scan volume on the proposed scanner for years 2 and 3 are projected to increase 20% each year based on historical growth for the current 1.5 closed magnet; and
- Volumes on the current magnet are expected to “cap” at 6,540 beginning in FY 2007 as the scanner has no additional growth capacity.

11. The proposed Siemens Espree 1.5 Tesla Open Bore MRI will feature the following enhancements: *(November 9, 2006, CON Application, Page 23)*

- Ability to accommodate many types of exams;
- Provides the highest level of image quality;
- State of the art equipment with a large bore opening;
- Efficient patient throughput;
- Allows scans to be performed in 30 minutes.
- Will provide high resolution, detailed scans, ensuring the most accurate diagnosis for patients, minimizing the delay of repeat scans and potentially preventing unnecessary hospitalizations.

12. The current and proposed hours of operation for the Glastonbury service are as follows: *(November 9, 2006, CON Application, Page 14)*

Hitachi Open MRI:

Mon/Tues/Fri – 7:00 am – 9:00 pm

Wed/Thurs – 7:00 am – 5:00 pm

Sat/Sun – 7:15 am – 3:30 pm

1.5 GE Closed MRI:

Mon/Tues/Fri – 7:00 am – 10:00 pm

Wed/Thurs – 7:00 am – 10:00 pm

Sat/Sun – 7:30 am – 5:00 pm

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

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

13. The estimated total capital cost of the CON proposal is \$2,144,163. The capital costs are itemized as follows: \$1,611,065 for the lease of the replacement unit; \$63,240 for medical equipment purchase; \$369,400 for building work to accommodate the new unit and \$100,458 for sales tax associated with the unit's acquisition. *(November 9, 2006, CON Application, Page 22)*
14. The proposed high field open MRI will occupy the space currently housing the Hitachi open MRI equipment. However, space that is currently being used for changing rooms will need to be renovated to accommodate the new magnet. *(November 9, 2006, CON Application, Page 22)*

15. The project will be financed through an equity contribution of \$436,434 and lease financing of \$1,707,729. *(November 9, 2006, CON Application, Pages 24 & 25)*
16. A mobile unit will be leased and utilized during the construction period. The Applicant estimates the mobile unit will be used for approximately 3 months. *(November 9, 2006, CON Application, Page 23)*
17. The Applicant projects incremental revenue from operations, total operating expense and losses/gains from operations associated with the CON proposal for FY 2007 (9 months), FY 2008 and FY 2009 as follows: *(November 9, 2006, CON Application, Page 285)*
- Table 3: Incremental Financial Projections for FY 2007 - FY 2009**
- | Description | FY 2007 | FY 2008 | FY 2009 |
|------------------------------------------------|--------------------|------------------|--------------------|
| Incremental Revenue from Operations | \$504,432 | \$1,527,707 | \$2,073,774 |
| Incremental Total Operating Expense | \$854,682 | \$693,239 | \$790,331 |
| Incremental (Loss)/Gain from Operations | (\$350,250) | \$834,469 | \$1,283,443 |
18. The Applicant indicates that its projected incremental loss in FY 2007 is primarily due to the start-up expenses associated with the proposed scanner. *(November 9, 2006, CON Application, Page 27)*
19. There is no State Health Plan in existence at this time. *(November 9, 2006, CON Application, Page 11)*
20. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(November 9, 2006, CON Application, Page 11)*
21. The Applicant has improved productivity and contained costs by employing group purchasing practices in its procurement of supplies and equipment and by participating in activities involving the application of new technologies. *(November 9, 2006, CON Application, Page 20)*
22. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(November 9, 2006, CON Application, Page 21)*
23. The Applicant's projected payer mix during the first three years of operating the proposed MRI scanner is as follows: *(November 9, 2006, CON Application, Page 26)*

Table 4: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	27.0%	27.0%	27.0%
Medicaid	2.0%	2.0%	2.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
Total Government	29.0%	29.0%	29.0%
Commercial Insurers	68.0%	68.0%	68.0%
Uninsured	0.4%	0.4%	0.4%
Workers Compensation	2.6%	2.6%	2.6%
Total Non-Government	71.0%	71.0%	71.0%
Total Payer Mix	100.00%	100.00%	100.00%

24. The proposal will not result in any change to the Applicant's patient/physician mix.
(November 9, 2006, CON Application, Page 21)
25. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 9, 2006, CON Application, Page 19)*
26. The Applicant's rates are sufficient to cover the proposed capital and operating costs associated with the proposal. *(November 9, 2006, CON Application, Page 285)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for Certificate of Need (“CON”) proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

Jefferson Radiology, P.C., (“Applicant”) is a private physician group offering sub-specialized diagnostic and interventional imaging services. The group’s 39 radiologists are all board certified and licensed to practice in the State of Connecticut. The Applicant has six office locations that collectively provide a full spectrum of imaging services including: general radiography, ultrasound, mammography, nuclear medicine, computed tomography (“CT”), magnetic resonance imaging (“MRI”) and bone densitometry services with a full spectrum of vascular and interventional procedures. Jefferson Radiology currently provides open and closed magnetic resonance imaging amongst other imaging services at its Glastonbury office, located at 704 Hebron Avenue. The Applicant is proposing to acquire an open bore 1.5 Tesla MRI scanner, renovate existing space to accommodate the new scanner and remove the office’s existing five-year old, open low field MRI scanner.

The need for the project is based on the limited utility of the current 5-year old scanner and advancements in MRI technology. The Applicant intends to acquire and operate a Siemens, 1.5 Tesla Open Bore Magnetom Espree MRI. The proposed MRI scanner will provide high resolution, detailed scans, accurate diagnosis, reducing repeat scans and potentially preventing unnecessary hospitalizations. In addition, has the ability to perform advanced procedures such as dynamic breast cancer imaging, contrast enhanced MR angiography of the chest, abdomen, pelvis or extremities, diffusion weighted brain imaging, dynamic abdominal breath-hold imaging, musculoskeletal imaging using chemical fat saturation. It also will accommodate larger/obese patients and those suffering from claustrophobia that require more detailed scans that cannot be scanned on the high field closed magnet and the low field open magnet unit does not produce the detailed image that is required.

Jefferson’s Radiology’s actual Glastonbury office MRI volume is 4,741, 5,934, 7,392 and 5,939 scans for fiscal years (“FYs”) 2003 through 2006 (9 months), respectively. The Applicant anticipates that the proposed equipment will offer a higher magnet strength which will improve image quality, access to high resolution scanning for large/obese and claustrophobic patients, efficiency and the cost effectiveness of MRI imaging services in the Glastonbury. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of MRI services in the greater Hartford region.

The total capital cost for the CON proposal is \$2,144,163. The project will be financed through an equity contribution of \$436,434 and lease financing of \$1,707,729. The Applicant projects an incremental loss from operations of (\$350,250) in FY 2007 (9 months) and incremental gains from operations of \$834,469 and \$1,283,443 in FYs 2008

and 2009, respectively, from the project. According to the Applicant the incremental loss in FY 2007 is primarily attributable to start-up expenses relating to the proposed MRI scanner acquisition. The proposal will assist the Applicant in remaining productive and efficient overall. Although OHCA can not draw any conclusions, the Applicant's volume and financial projections upon which they are based appear to be reasonable.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Jefferson Radiology, P.C. to acquire an open bore 1.5 tesla MRI scanner at a total capital cost of \$2,144,163, is hereby GRANTED, subject to the following conditions.

Order

Jefferson Radiology, P.C. ("Applicant") is hereby authorized to acquire an Open Bore 1.5 Tesla Magnetic Resonance Imaging ("MRI") scanner for its Glastonbury office, at a total capital cost of \$2,144,163, subject to the following conditions:

1. This authorization shall expire on April 1, 2008. Should the Applicant's MRI scanning 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 total capital cost of \$2,144,163. 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. The Applicant shall notify OHCA in writing of the initial date of the operation of the open bore 1.5 tesla MRI scanner by no later than one month after the new scanner becomes operational.
4. This authorization requires the removal of the Applicant's existing low field open MRI scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant's service provider locations. Furthermore, the Applicant will provide evidence to OHCA of the final disposition of its existing low field open MRI scanner by no later than three months after the open bore 1.5 tesla MRI scanner has become operational.
5. This authorization allows the Applicant to use the temporary mobile unit during the construction period.

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

February 6, 2007

Signed by Cristine A. Vogel
Commissioner

CAV: pf