



## **Office Of Health Care Access Certificate of Need Application**

### **Final Decision**

**Applicant:** Yale-New Haven Hospital

**Docket Number:** 06-30900-CON

**Project Title:** Acquisition and Operation of a 3.0 Tesla Magnetic Resonance Imaging Scanner in Hamden

**Statutory Reference:** Sections 19a-638 & 19a-639 of the Connecticut General Statutes

**Filing Date:** July 27, 2007

**Decision Date:** October 4, 2007

**Default Date:** October 25, 2007

**Staff Assigned:** Alexis G. Fedorjaczenko  
Steven W. Lazarus

**Project Description:** Yale-New Haven Hospital ("Hospital") proposes to acquire and operate a 3.0 Tesla Magnetic Resonance Imaging scanner at the Hospital's Temple Radiology Center located at 3000 Dixwell Avenue in Hamden, at an estimated total capital cost of \$3,674,745.

**Nature of Proceedings:** On July 27, 2007, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Yale-New Haven Hospital ("Hospital") seeking authorization to acquire and operate a 3.0 Tesla Magnetic Resonance Imaging scanner at the Hospital's Temple Radiology Center located at 3000 Dixwell Avenue in Hamden, at an estimated total capital cost of \$3,674,745. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Hospital's Letter of Intent was published in *The New Haven Register* on January 22, 2007.

Pursuant to Sections 19a-638 and 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people had until August 17, 2007, the twenty-first calendar day following the filing of the Hospital's CON application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public.

OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 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 Hospital'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. Yale-New Haven Hospital ("Hospital" or "YNHH") is an acute care, teaching hospital located at 20 York Street in New Haven, Connecticut. (*December 27, 2006, Letter of Intent, pages 1 and 8*)
2. The Hospital provides diagnostic imaging services in Hamden, Connecticut through its subsidiary Temple Radiology Center ("Center"), located at 3000 Dixwell Avenue. (*December 27, 2006, Letter of Intent and May 24, 2007, Initial CON Submission, page 9*)
3. The Center currently offers the following imaging modalities: CT scanning; general radiography (x-ray); digital mammography; and ultrasound. The Center currently does not provide MRI services at the Center. (*May 24, 2007, Initial CON Submission, page 9*)
4. The Hospital proposes to acquire and operate a GE Signa 3.0 Tesla Magnetic Resonance Imaging ("MRI") scanner at the Center located at 3000 Dixwell Avenue, Hamden, and to renovate existing space to accommodate the scanner. (*May 24, 2007, Initial CON Submission, pages 10 and 26*)
5. The Hospital's proposed service area for the MRI scanner is as follows:

**Table 1: Service Area Towns**

Primary Service Area ("PSA")	Cheshire, Hamden, North Haven and Wallingford
Secondary Service Area ("SSA")	Bethany and Woodbridge

(*May 24, 2007, Initial CON Submission, page 16*)

6. The Hospital based its proposal to acquire and operate a high field MRI scanner on the following factors:
  - Improving patient access and offering full range of core imaging services; and
  - Meeting current and projected demand due to rising disease prevalence, expanded use of imaging for early disease detection, rising demand for less invasive procedures, and the convergence of imaging with other clinical disciplines.  
(May 24, 2007, Initial CON Submission, pages 11-12)
7. The Hospital stated that the proposed MRI scanner would serve an existing patient population that currently travels to other YNHH MRI sites in New Haven or to the Shoreline Medical Center in Guilford for MRI services. (May 24, 2007, Initial CON Submission, pages 9 and 20-21)
8. The Hospital indicated that scheduling backlogs for the Hospital's existing MRI scanners range from a day to seven days, depending on the scanner and type of scan required. OHCA was unable to verify the backlogs. (May 24, 2007, Initial CON Submission, pages 10 and 18)
9. The Hospital stated that the proposal will further YNHH's strategic goal of ensuring that the latest MRI technology is available to patients and physicians, and that it will allow patients to have access to cutting edge technology at a community-based facility. (May 24, 2007, Initial CON Submission, page 10 and July 27, 2007, Completeness Response, page 5)
10. YNHH's existing MRI scanners and historical MRI utilization for fiscal years (FYs) 2004-2007 is as follows:

**Table 2: Hospital's Existing MRI Scanners & Historical MRI Utilization**

Facility Name & Location	MRI Description	FY 2004	FY 2005	FY 2006	FY 2007*
Temple Radiology New Haven	1.5 Tesla (Fixed)	5,226	4,719	4,424	3,858
	0.7 Tesla (Fixed)	141	901	885	1,184
	Unknown	3	0	0	8
Shoreline Medical Center Guilford	1.5 Tesla (Fixed)	1,805	2,761	3,368	2,859
	3.0 Tesla (Fixed)	n/a	684	3,330	4,033
YNHH Main Campus New Haven	1.5 Tesla (Fixed)	2,336	1,500	4,255	4,786
	1.5 Tesla (Fixed)	4,191	4,380	3,016	3,047
	1.5 Tesla (Fixed)	2,606	3,760	2,704	2,784
	1.5 Tesla (Van)	4,214	4,234	3,456	3,810
	Unknown	16	16	13	8

\*FY 2007 figures are annualized.

(Initial CON Submission, pages 16-17 and July 27, 2007, Completeness Response, page 1)

11. The Hospital did not provide the following:

- Capacity of existing MRI scanners; and
- Evidence that factors identified as contributing to demand for high field MRI scanning services, and offered as the basis for the proposal's need, were accounted for in the proposal's volume projections.

(May 24, 2007, Initial CON Submission and July 27, 2007, Completeness Response)

12. YNHH's historical inpatient and outpatient MRI utilization, by proposed service area are as follows:

**Table 3: Hospital's Historical MRI Utilization by Service Area**

		<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007*</b>
PSA Town:	Hamden	1,540	1,565	1,730	1,841
	North Haven	620	694	812	714
	Wallingford	520	558	647	683
	Cheshire	345	352	398	438
SSA Towns:	Woodbridge	339	344	365	404
	Bethany	139	128	176	201
<b>Total PSA &amp; SSA Volume</b>		<b>3,503</b>	<b>3,641</b>	<b>4,128</b>	<b>4,280</b>
<b>Total MRI scans</b>		<b>20,538</b>	<b>22,955</b>	<b>25,451</b>	<b>26,376</b>
Total PSA & SSA %		17.06%	15.86%	16.22%	16.22%

\*FY 2007 figures are annualized.

(July 27, 2007, Completeness Response, page 2)

13. The Hospital's projected MRI volume for FYs 2008 - 2010 for the proposed MRI scanner is as follows:

**Table 4: Projected MRI Volume for FYs 2008-2010**

<b>Description</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Proposed 3.0 Tesla MRI	1,000	1,800	2,360

Note: Projections are based on existing use at similar YNHH facilities.

(May 24, 2007, Initial CON Submission, page 19-20)

14. The Hospital indicated that the existing MRI providers in the proposed service area are as follows:

**Table 5: Existing MRI Providers in the Proposed PSA and SSA**

<b>Provider Name &amp; Location</b>	<b>MRI Description</b>
Whitney Imaging Center Hamden	0.7 Tesla
Diagnostic Radiology Associates, LLC Woodbridge	Open MRI*
Wallingford Diagnostic Imaging Center/MidState Radiology Assoc. Wallingford	1.5 Tesla

\*Unable to verify this MRI unit

(May 24, 2007, Initial CON Submission, pages 20-21)

15. The Hospital currently meets the ACR guidelines through clinical policies and procedures, medical staff credentialing, and quality assurance processes. *(May 24, 2007, Initial CON Submission, page 22)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the  
Hospital'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**

16. The total capital expenditure associated with this CON proposal is \$3,674,745, itemized as follows:

**Table 6: Total Capital Expenditure**

MRI scanner (Purchase)	\$2,571,745
Non-Medical Equipment (PACS Storage)	\$50,000
Construction/Renovation	\$1,053,000
<b>Total Capital Expenditure</b>	<b>\$3,674,745</b>

*(May 24, 2007, Initial CON Submission, page 26)*

17. The Hospital proposes to finance the project through \$734,949 of the Hospital's equity from operations and \$2,939,796 of funded depreciation. *(May 24, 2007, Initial CON Submission, page 28)*
18. The Hospital's projected incremental revenue from operations, total operating expense, and gain from operations associated with the CON proposal are as follows:

**Table 7: Financial Projections Incremental to the Project**

Description	FY 2008	FY 2009	FY 2010
Incremental Revenue from Operations	\$814,000	\$1,465,000	\$1,921,000
Incremental Total Operating Expense	\$740,000	\$1,093,000	\$1,114,000
<b>Incremental Gain from Operations</b>	<b>\$74,000</b>	<b>\$373,000</b>	<b>\$807,000</b>

*(July 27, 2007, Completeness Response, page 14)*

19. There is no State Health Plan in existence at this time. *(May 24, 2007, Initial CON Submission, page 11)*
20. The Hospital has adduced evidence that the proposal is consistent with its long-range plan. *(May 24, 2007, Initial CON Submission, page 11)*
21. The Hospital has improved productivity and contained costs through energy conservation, group purchasing, reengineering, and application of new technologies. *(May 24, 2007, Initial CON Submission, page 24)*

22. The Hospital's three-year projected payer mix for the proposed MRI scanner in Hamden, based on Net Patient Revenue, is as follows:

**Table 8: Three-Year Projected Payer Mix with the CON Proposal**

<b>Payer Mix</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	8%	8%	8%
Medicaid	2%	2%	2%
Champus and TriCare	0%	0%	0%
<b>Total Government</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Commercial Insurers	90%	90%	90%
Uninsured	0%*	0%*	0%*
Workers Compensation	0%	0%	0%
<b>Total Non-Government</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Note: \* The Hospital projects Gross Revenue from the Uninsured population of \$51,909 in year 1, \$98,076 in Year 2, and \$134,921 in Year 3 but is writing the total amount off as charity care and bad debt, resulting in 0% based on Net Revenue.*

*(May 24, 2007, Initial CON Submission, pages 226-228)*

23. The proposal will not result in any change to the Hospital's current patient/physician mix. *(May 24, 2007, Initial CON Submission, page 24)*
24. The Hospital possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(May 24, 2007, Initial CON Submission, pages 22-23 and Attachment V)*
25. The Hospital's rates are sufficient to cover the proposed capital expenditures and operating costs associated with the proposal. *(May 24, 2007, Initial CON Submission, pages 224-228 and July 27, 2007, Completeness Response, page 14)*

## 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.

Yale-New Haven Hospital (“YNHH” or “Hospital”) is an acute care teaching hospital located at 20 York Street in New Haven, Connecticut. The Hospital proposes to acquire and operate a 3.0 Tesla Magnetic Resonance Imaging (“MRI”) scanner at the Hospital’s Temple Radiology Center (“Center”) at 3000 Dixwell Avenue, Hamden. The Center currently offers CT scanning, general radiography (x-ray), digital mammography, and ultrasound services.

The Hospital indicated that the proposed MRI scanner would improve patient access by allowing existing patients in the proposed service area to receive high field MRI scans at the Center in Hamden rather than traveling to other YNHH locations. However, the Hospital currently has a number of high field MRI scanners, including a 3.0 Tesla MRI scanner, operating at both the Hospital’s main campus and the Temple Radiology center in New Haven, as well as a high field scanner in Guilford at the Shoreline Medical Center. The Hospital did not demonstrate that these scanners are at capacity and failed to provide sufficient evidence regarding the inability of YNHH’s patients to access high field MRI services in a timely manner. Rather, the Hospital indicated that the proposal would allow patients to have access to innovative technology at a community-based facility. Based on insufficient evidence, OHCA cannot conclude definitively that there is a need for the proposed MRI scanner.

The Hospital asserted that the proposed MRI scanner is needed to meet current and projected demand due to rising disease prevalence and expanded use of imaging for early disease detection. However, the Hospital did not demonstrate how these factors are accounted for in the volume projections. Furthermore, given the availability of existing high field YNHH scanners, as well as other providers’ MRI scanners in the proposed service area, OHCA concludes that the Hospital’s projected demand does not establish need for the proposed MRI scanner in Hamden. OHCA is concerned that the projected volumes do not accurately reflect the need for the proposed high field MRI scanner in Hamden.

The total capital cost for the CON proposal is \$3,674,745. The Hospital projected net income incremental to the project of \$74,000, \$373,000, and \$807,000 for FYs 2008, 2009, and 2010, respectively. Since OHCA cannot conclude definitively that there is a need for the proposed MRI scanner, OHCA is unable to evaluate the financial viability of the proposal.

## Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Yale-New Haven Hospital ("Hospital") to acquire and operate a 3.0 Tesla Magnetic Resonance Imaging ("MRI") scanner for its health center in Hamden, is hereby DENIED.

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

*Signed by Commissioner Vogel on October 4, 2007*

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Date

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Cristine A. Vogel  
Commissioner

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