



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Lawrence & Memorial Hospital

Docket Number: 07-30926-WVR

Project Title: Request to Waive CON Requirements for the Replacement of an Existing Magnetic Resonance Imaging Scanner

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

Filing Date: February 20, 2007

Hearing: Not Applicable

Decision Date: February 23, 2007

Staff: Steven W. Lazarus

Project Description: Lawrence and Memorial Hospital (“Hospital”) requests a waiver of the Certificate of Need requirements for the purpose of replacing its existing magnetic resonance imaging scanner, at a total capital cost of \$2,511,372.

Nature of Proceedings: On February 20, 2007, the Office of Health Care Access (“OHCA”) received the waiver of Certificate of Need (“CON”) request for replacement equipment from Lawrence and Memorial Hospital (“Hospital”). The Hospital proposes to replace its existing magnetic resonance imaging scanner, at a total capital cost of \$2,511,372. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

OHCA’s authority to review and approve, modify or deny the requested waiver of CON requirements for replacement equipment is established by Section 19a-639c 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

1. Lawrence and Memorial (“Hospital”) is an acute care hospital, located at 365 Montauk Avenue, New London, Connecticut. *(Waiver of CON Form 2040, February 20, 2007, page 1)*
2. On March 2, 1994, under Docket Number:93-526, the Hospital received Certificate of Need (“CON”) authorization for the acquisition and operation of a magnetic resonance imaging (“MRI”) scanner, at a total capital expenditure of \$2,489,120. *(Agreed Settlement, March 2, 1994, Docket Number: 93-526)*
3. On April 25, 2000, under Docket Number: 00-1502, the Hospital received CON authorization to upgrade its existing GE Signa 5x 1.5 Tesla MRI scanner to a GE Signa Horizon LX Hi-Speed scanner, at a total capital expenditure of \$950,000, which included \$875,000 for the upgraded equipment and \$75,000 for a temporary rental mobile MRI scanner. *(Certificate of Need Waiver, April 25, 2000, Docket Number: 00-1502)*
4. The Hospital is requesting a waiver of CON requirements for replacement equipment to replace its existing GE MRI scanner, with Siemens MAGNETOM Avanto 1.5 Tesla MRI scanner. The total capital expenditure associated with the project is \$2,511,372. *(Waiver of CON Form 2040, February 20, 2007, page 3)*
5. The Hospital based the need for the proposed replacement of the existing MRI scanner equipment on the following:
 - a. Lack of availability of replacement part;
 - b. Limited scan capability to design/technology limitations; and
 - c. Inadequate image quality.
(Waiver of CON Form 2040, February 20, 2007, page 87)
6. The proposed MRI scanner equipment will provide the following benefits:
 - a. Ability to perform all categories of studies
 - b. Improved quality images; and
 - c. Decreased scan times..
(Waiver of CON Form 2040, February 20, 2007, page 87)

7. The proposed total capital expenditure associated with this project is as follows:

Table 1: Proposed Total Capital Expenditure

| | |
|--|--------------------|
| MRI scanner | \$2,127,137 |
| Construction/Renovations | 189,095 |
| Rental of Temporary Mobile MRI scanner | 195,140 |
| Total Capital Expenditure | \$2,511,372 |

(Waiver of CON Form 2040, February 20, 2007, page 3)

8. The capital expenditure for the proposed replacement MRI scanner equipment is \$2,127,137, below the \$3,000,000 threshold for determining eligibility for waiver of the CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. *(Waiver of CON Form 2040, February 20, 2007, page 4)*
9. The Hospital will use its equity to acquire the proposed replacement MRI scanner equipment. *(Waiver of CON Form 2040, February 20, 2007, page 3)*

Rationale

Lawrence and Memorial Hospital (“Hospital”) is requesting a waiver of Certificate of Need (“CON”) requirements for replacement equipment, pursuant to Section 19a-639c, of the C.G.S.. The Hospital is seeking to replace its existing Magnetic Resonance Imaging (“MRI”) scanner equipment with Siemens MAGNETOM Avanto 1.5 Tesla MRI scanner.

The Hospital indicated that it is difficult to acquire replacement parts for the existing GE Signa Horizon LX Hi-Speed scanner equipment. Further, the existing GE MRI scanner equipment is unable to perform advanced scans due to technology limitations and offers inadequate image quality. The Hospital stated that the proposed equipment will remedy the problems associated with the existing MRI scanner equipment and will provide for improved image quality and will reduce scan times.

The total capital cost for the proposal is \$2,511,372 which consists of \$2,127,137 representing the cost of the proposed equipment, \$189,095 for associated renovations and \$195,140 for a temporary mobile MRI scanner to be utilized during the construction/renovation phase. The Hospital will fund the replacement project through an equity contribution. The capital cost of \$2,127,137 for the replacement MRI scanner equipment is below the \$3 million threshold for determining eligibility for a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S.

Based on the foregoing Findings and Rationale, OHCA has determined that Lawrence and Memorial Hospital’s request for a waiver of CON requirements for replacement equipment in order to replace its existing GE MRI scanner equipment, at a total capital expenditure of \$2,511,372, meets the requirements for waiver of the CON process pursuant to Section 19a-639c, C.G.S. and is hereby granted subject to conditions.

Order

Lawrence and Memorial Hospital (“Hospital”) is hereby authorized to replace its existing GE Signa Horizon LX Hi-Speed scanner, at a total capital expenditure of \$2,511,372, subject to the following conditions:

1. This authorization shall expire on February 29, 2008. Should the Hospital MRI scanner equipment replacement project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital expenditure of \$2,511,372. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. With respect to the acquisition of the new Siemens MRI scanner equipment, the Hospital shall notify OHCA regarding the following information in writing by no later than one month after the equipment becomes operational:
 - a) The name of the manufacturer;
 - b) The model name and description of the MRI scanner equipment; and
 - c) The initial date of the operation of the MRI scanner equipment.
4. This authorization requires the removal of the Hospital’s existing GE MRI scanner equipment for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital’s Connecticut service locations. Furthermore, the Hospital shall provide evidence to OHCA of the disposition of the existing GE MRI scanner equipment be replaced by no later than six months after the replacement Siemens MRI scanner equipment 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

February 23, 2007

Signed by Cristine A. Vogel
Commissioner

CAV:swl