



Office of Health Care Access Certificate of Need Application

Final Decision

Applicants: Grove Hill Medical Center, P.C. and Investment Associates, LP

Docket Number: 07-31051-CON

Project Title: Acquisition of a Replacement CT Scanner In New Britain

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

Filing Date: May 19, 2008

Decision Date: June 13, 2008

Default Date: August 17, 2008

Staff Assigned: Alexis G. Fedorjaczenko

Project Description: Grove Hill Medical Center, P.C. and Investment Associates, LP (“Applicants”) propose to acquire a replacement CT scanner in New Britain, at a total capital expenditure of \$738,759.

Nature of Proceedings: On May 19, 2008, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Grove Hill Medical Center, P.C. and Investment Associates, LP, (“Applicants”) seeking authorization to acquire a replacement CT scanner, at a total capital expenditure of \$738,759. Grove Hill Medical Center, P.C. is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public concerning OHCA’s receipt of the Applicants’ Letter of Intent (“LOI”) was published in *The Herald* on October 20, 2007. Pursuant to Section 19a-639 (C)(3), three individuals or an individual representing an entity with five or more people had until June 9, 2008, the twenty-first calendar day following the filing of the Applicants’ CON Application, to request that OHCA hold a public hearing on the Applicants’ proposal. OHCA received no comments from the public concerning the Applicants’ proposal.

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 Applicants' 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. Grove Hill Medical Center, P.C., ("Grove Hill") is a multi-specialty physician group practice with an office located at 300 Kensington Avenue in New Britain, Connecticut. *(February 4, 2008, Initial CON Application, page 2)*
2. Grove Hill's more than 70 physicians represent 19 specialties including but not limited to: cardiology; dermatology; ear, nose, and throat; endocrinology; gastroenterology; hematology/oncology; internal medicine; obstetrics and gynecology; ophthalmology; orthopedic surgery and sports medicine; pediatric and adolescent medicine; physical medicine and rehabilitation; pulmonary medicine; rheumatology; general, vascular, and thoracic surgery; and urology. *(May 19, 2008, Completeness Response, page 5)*
3. Grove Hill currently offers the following imaging modalities: plain radiography, ultrasound, CT, fluoroscopy, mammography, bone densitometry, and MRI. *(February 4, 2008, Initial CON Application, page 2)*
4. Investment Associates, LP ("Investment Associates") is a limited partnership owned by the same individuals who are shareholders of Grove Hill, and was formed to own all of the capital assets of Grove Hill including all of the property and equipment utilized by Grove Hill in its medical practice. *(February 4, 2008, Initial CON Application, page 2)*
5. Grove Hill and Investment Associates ("Applicants") propose to replace the existing single slice CT scanner in New Britain with a 16-slice GE Brightspeed CT scanner, and to renovate existing space to accommodate the scanner. *(February 4, 2008, Initial CON Application, page 2)*
6. The current scanner is a single-slice GE Highlight Advantage. It was acquired on June 23, 1999. The purchase was not subject to CON approval at that time. *(May 19, 2008, Completeness Response, page 1)*
7. Investment Associates will own the proposed equipment and will lease it to Grove Hill pursuant to a master agreement lease. *(February 4, 2008, Initial CON Application, page 2)*

8. The Applicants based the need to replace the existing single slice CT scanner with the proposed 16-slice CT scanner on the following factors:
 - Grove Hill has been experiencing problems maintaining and repairing the existing CT scanner due to the age of the equipment;
 - The ability to provide imaging services that cannot be offered with the current CT scanner; and
 - Improved quality of patient care.

(February 4, 2008, Initial CON Application, page 2 and October 17, 2007, Letter of Intent, page 8)
9. The Applicants state that the age of the current scanner is resulting in more frequent failure and malfunction of the system and various parts of the CT scanner. *(May 19, 2008, Completeness Response, page 3)*
10. The current scanner was down for maintenance and repair on 18 days in calendar year 2007. The Applicants indicated that the amount of unplanned repair work was actually greater, but that downtime has been kept to a minimum by having GE perform much of the maintenance and repair work during evening hours when patients are not scheduled. *(February 4, 2008, Initial CON Application, pages 2 & 4 and May 19, 2008, Completeness Response, pages 1-2)*
11. Grove Hill indicated that the following types of scans, considered the standard of care in radiology today, cannot be offered at Grove Hill due to limitations of the existing scanner. Grove Hill physicians have been ordering these scan types for their patients and have identified them as types of scans they would perform at Grove Hill.
 - Orthopedic scans and scans of post-fusion lumbar spines that require three dimensional reformatting;
 - Scans of bony structures;
 - Scans of patients with hardware in place; and
 - CT Angiography (“CTA”) including diagnosis of pulmonary embolus, evaluations of intracranial vessels, and CTA of the aorta.

(February 4, 2008, Initial CON Application, page 2 and May 19, 2008, Completeness Response, pages 4-5)
12. According to the Applicants, the proposed 16-slice CT scanner would also provide higher quality images, reduce the amount of patient time spent in the CT, and allow Grove Hill to perform CT studies on patients weighing more than 350 pounds.
(February 4, 2008, Initial CON Application, page 2 and October 17, 2007, Letter of Intent, page 8)
13. The Applicants identified the other CT scan providers in the service area as:
 - The Hospital of Central Connecticut, New Britain General Campus;
 - The Hospital of Central Connecticut, Bradley Memorial Campus;
 - University of Connecticut Health Center; and
 - Bristol Radiology Center at Bristol Hospital.

(February 4, 2008, Initial CON Application, page 5-6)

14. The actual CT scan volume from FY 2004 through FY 2007 for the Applicants' existing unit is shown in the chart below:

Table 1: Actual CT Volume for FY 2004 through FY 2007

FY 2004	FY 2005	FY 2006	FY 2007
3,321	3,012	2,876	3,171

(February 4, 2008, Initial CON Application, page 22)

15. The Applicants' projected CT scan volume for the first three years with the proposed replacement scanner is as follows:

Table 2: Projected CT Volume for Years 1 through 3

Year 1	Year 2	Year 3
3,750	3,750	3,750

Note: The existing scanner provides an average of 12 scans per day, while the proposed scanner is projected to perform an average of 15 scans per day. The 18.3% increase over current volumes is based on a 33% increase in throughput with the replacement CT scanner (20 minutes per exam instead of 30 minutes) and 22% increase in operating hours (from 45 per week to 55 per week), as well as the reduction in downtime. The projections do not include additional volume for increase in demand due to increase in the patient population. *(February 4, 2008, Initial CON Application, pages 4 & 128; October 17, 2007, Letter of Intent, page 8; and May 19, 2008, Completeness Response, page 7)*

16. The Applicants currently comply in all respects with the American College of Radiology ("ACR") guidelines and will continue to do so under this proposal. *(February 4, 2008, Initial CON Application, page 7-8)*
17. New Britain Radiology Group, P.C.'s board-certified radiologists will continue to supervise the CT certified technologists employed by Grove Hill and interpret all CT studies. *(October 17, 2007, Letter of Intent, page 9)*
18. The Applicants state that CT services are currently, and will continue to be, provided exclusively to patients of Grove Hill. *(February 4, 2008, Initial CON Application, page 3 and May 19, 2008, Completeness Response, page 6)*

Financial Feasibility and Cost Effectiveness 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 the Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

19. The estimated total capital expenditure of the CON proposal is \$738,759, itemized as follows:

Table 3: Total Capital Expenditure

Imaging Equipment Purchase	\$718,759
Construction/Renovation	\$20,000
Total	\$738,759

(February 4, 2008, Initial CON Application, page 11)

20. The proposed project renovations include the removal and rebuilding of an exterior building wall to facilitate the removal of the existing CT scanner and the installation of the replacement CT scanner. *(February 4, 2008, Initial CON Application, page 11)*
21. Investment Associates will finance the acquisition through a capital lease. *(February 4, 2008, Initial CON Application, page 15)*
22. Grove Hill will bill for the proposed service. *(February 4, 2008, Initial CON Application, page 11)*
23. The Applicants' projected incremental revenue from operations, total operating expense and gains from operations associated with the CON proposal are as follows:

Table 4: Incremental Financial Projections for Year 1 through Year 3

Description	Year 1	Year 2	Year 3
Incremental Revenue from Operations	\$412,500	\$787,500	\$1,125,000
Incremental Total Operating Expense	\$313,780	\$513,049	\$907,540
Incremental Gain from Operations	\$98,720	\$274,451	\$217,460

(February 4, 2008, Initial CON Application, page 17)

24. The Applicants' current and projected payer mix for the total facility, based on net patient revenue are as follows:

Table 5: Current and Three-Year Projected Payer Mix

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare	26.5%	26.5%	26.5%	26.5%
Medicaid	5.0%	5.0%	5.0%	5.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%	0.0%
Total Government	31.5%	31.5%	31.5%	31.5%
Commercial Insurers	66.5%	66.5%	66.5%	66.5%
Uninsured	1.0%	1.0%	1.0%	1.0%
Workers Compensation	1.0%	1.0%	1.0%	1.0%
Total Non-Government	68.5%	68.5%	68.5%	68.5%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

(February 4, 2008, Initial CON Application, page 16)

25. There is no State Health Plan in existence at this time. *(February 4, 2008, Initial CON Application, page 3)*
26. The Applicants have adduced evidence that the proposal is consistent with their long-range plan. *(February 4, 2008, Initial CON Application, page 3)*
27. The Applicants have improved productivity and contained costs with the application of new technology. *(February 4, 2008, Initial CON Application, page 9)*
28. The proposal will not result in any change to the Applicants' teaching and research responsibilities. *(February 4, 2008, Initial CON Application, page 4)*

29. There are no characteristics of the Applicants' patient/physician mix that make this proposal unique. *(February 4, 2008, Initial CON Application, page 4)*
30. The Applicants possess sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 4, 2008, Initial CON Application, pages 8 and 29-40)*
31. The Applicants' rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(February 4, 2008, Initial CON Application, pages 17 and 126-132)*

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.

Grove Hill Medical Center, P.C. (“Grove Hill”) is a multi-specialty physician group practice with an office in New Britain. Grove Hill’s physicians represent a range of specialties including cardiology; dermatology; ear, nose, and throat; endocrinology; gastroenterology; hematology/oncology; internal medicine; obstetrics and gynecology; ophthalmology; orthopedic surgery and sports medicine; pediatric and adolescent medicine; physical medicine and rehabilitation; pulmonary medicine; rheumatology; general, vascular, and thoracic surgery; and urology. Grove Hill currently offers imaging services that include plain radiography, ultrasound, CT, fluoroscopy, mammography, bone densitometry, and MRI.

Investment Associates LP (“Investment Associates”) is a limited partnership owned by the same individuals who are shareholders of Grove Hill, and was formed to own the capital assets of Grove Hill including the property and equipment utilized by Grove Hill in its medical practice. Grove Hill and Investment Associates (together, “Applicants”) propose to replace the existing single-slice CT scanner in New Britain with a 16-slice GE Brightspeed CT scanner, and to renovate existing space to accommodate the scanner. The Applicants stated that their CT services are currently, and will continue to be, provided exclusively to Grove Hill patients.

The Applicants based the need to replace the current single-slice CT scanner on its physical limitations. According to the Applicants, the scanner has been failing or malfunctioning more frequently, and is unable to perform a range of scans that Grove Hill’s physicians are ordering for their patients. The Applicants also indicated that the proposed replacement scanner would provide higher quality images and reduce the amount of patient time spent in the CT. OHCA finds that the replacement of the existing single-slice CT scanner with a 16-slice CT scanner will improve both access to and quality of care for Grove Hill patients in need of imaging services.

The proposal has a total capital expenditure of \$738,759, which will be financed with a capital lease. With the proposal, the Applicants project incremental gains from operations of \$98,720, \$274,451, and \$217,460 in the first three years of the project. The Applicants’ financial projections, and volumes upon which they are based, appear to be reasonable and achievable. Therefore, OHCA concludes that the CON proposal is financially feasible.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Grove Hill Medical Center, P.C. and Investment Associates, LP (together, "Applicants") to acquire a replacement CT scanner in New Britain, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire on June 13, 2009. Should the Applicants' CT replacement project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved total capital cost of \$738,759. In the event that the Applicants learn of potential cost increases or expects that final project costs will exceed those approved, the Applicants shall notify OHCA immediately.
3. This authorization requires the removal of the Applicants' existing single slice CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicants' service provider locations. Furthermore, the Applicants will provide evidence to OHCA of the final disposition of said CT unit, by no later than six months after the replacement CT scanner has become operational.
4. The Applicants shall notify OHCA in writing of the following information by no later than one month after the new scanner becomes operational:
 - a) The name of the CT scanner manufacturer;
 - b) The model name and description of the scanning unit; and
 - c) The initial date of the operation of the CT scanner.
5. The Applicants shall utilize the CT scanner to provide services exclusively to Grove Hill patients.

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

Signed by Commissioner Vogel on June 13, 2008

Date

Cristine A. Vogel
Commissioner

CAV: agf