



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Jefferson Radiology, PC

Docket Number: 05-30654-CON

Project Title: Acquisition of a 64-Slice CT Scanner for the Applicant's West Hartford Office

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

Filing Date: April 7, 2006

Hearing Date: July 12, 2006

Presiding Officer: Commissioner Cristine A. Vogel

Decision Date: July 24, 2006

Default Date: July 30, 2006

Staff Assigned: Paolo Fiducia
Jack A. Huber

Project Description: Jefferson Radiology, PC proposes to acquire a 64-slice computed tomography scanner for its West Hartford office, at a total capital cost of \$1,922,567.

Nature of Proceedings: On April 7, 2006, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Jefferson Radiology, PC ("Applicant") seeking authorization to acquire a 64-slice computed tomography scanner for its West Hartford office, at a total capital cost of \$1,922,567.

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 January 15, 2006. A public hearing regarding the CON application was held on July 12, 2006, pursuant to Section 19a-639, C.G.S. On June 23, 2006, the Applicant was notified of the date, time and place of the hearing. On June 27, 2006, a notice to the public was published in the *Hartford Courant*. Commissioner Cristine A. Vogel served as presiding officer in this matter.

The public hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-639, C.G.S.

The Presiding Officer heard testimony from witnesses for the Applicant. In rendering this decision, the Presiding Officer considered the entire record of the proceeding. 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 38 radiologists are all board certified and licensed to practice in the State of Connecticut. *(April 7, 2006, CON Application, Page 10)*
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. *(April 7, 2006, CON Application, Page 10 and July 7, 2006, Prefile Testimony, Page 20)*
3. The imaging services provided by the Applicant include: general x-ray; ultrasound; mammography; nuclear medicine; computed tomography ("CT"); magnetic resonance imaging ("MRI"); bone densitometry; and a full spectrum of vascular and interventional procedures. *(April 7, 2006, CON Application, Page 10 and July 7, 2006, Prefile Testimony, Page 20)*
4. On July 16, 2002, the Office of Health Care Access ("OHCA") rendered a CON determination under Report Number: 02-Z1, informing Jefferson Radiology that it did not need to obtain CON approval to acquire a single-slice CT scanner for its West Hartford office as the acquisition cost of the proposed CT scanner was below the \$400,000 CON capital threshold for imaging equipment. *(April 7, 2006, CON Application, Page 10)*
5. The Applicant proposes to undertake the following project at its West Hartford office: *(April 7, 2006, CON Application, Pages 11 and 23)*
 - Replace its existing 10-year old, single-slice CT scanner, whose capital lease is scheduled to expire in November 2007;
 - Acquire and operate a new General Electric, LightSpeed VCT, 64-slice CT scanner; and

- Renovate existing space within its office to accommodate the proposed scanner.
6. The Applicant's West Hartford office is located at 941 Farmington Avenue and offers the following imaging services: CT; MRI; ultrasound; digital mammography; fluoroscopy; bone densitometry; and radiography. (*April 7, 2006, CON Application, Page 10*)
 7. The Applicant is requesting the acquisition of the proposed 64-slice CT scanner based on the following factors: (*April 7, 2006, CON Application, Page 10*)
 - The current scanner's technology is outdated and the unit does not offer advancements such as CT angiography¹, 3-dimensional applications such as musculoskeletal/orthopedic studies and CT enterography and colonography²;
 - CT volume has experienced steady growth over the past few years and is expected to continue increasing due to the aging population and new uses for multi-slice CT; and
 - CT scanning has evolved significantly since the Applicant's acquisition of its single-slice scanner, and the proposed CT scanner will be cost effective to operate, will improve the quality of patient care, and provide the Applicant's patients greater access to state-of-the-art CT scanning technology.
 8. The Applicant states that the primary service area towns for the existing CT service are Bloomfield, Farmington, Hartford and West Hartford, and the secondary service area encompasses the towns of Avon, Bristol, New Britain, Newington, Southington and Windsor. Based on the Applicant's historical CT volumes, the primary service area constitutes greater than 70% of the office's CT volume, while the secondary service area constitutes an additional 15% of the office's CT volume. (*April 7, 2006, CON Application, Pages 13*)
 9. The actual CT volume for the Applicant's West Hartford operation and its associated annual percentage increase for fiscal years ("FYs") 2003 through 2005 is as follows: (*April 7, 2006, CON Application, Page 14*)

Table 1: Actual CT Volume for FYs 2003 through 2005

| Description | FY 2003 | FY 2004 | FY 2005 |
|---------------------------------------|---------|---------|---------|
| Actual # CT Scans | 3,214 | 3,409 | 3,589 |
| Incremental Volume Change Between FYs | | 195 | 180 |
| % Volume Increase Between FYs | | 6.1% | 5.3% |

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

¹ CT angiography or "CTA" provides images of the blood vessels that can determine how the blood is flowing in arteries and veins throughout the body. It is a procedure that is less invasive than traditional diagnostic angiograms. Areas of the body that are generally studied in this way include the brain, heart, lung, kidneys, liver and extremities.

² CT enterography and colonography utilize 3-dimensional capabilities of the 64-slice system to evaluate both the inside and the outside of the small bowel and colon, respectively, without the inherent risk of traditional imaging methods.

10. The Applicant's projected CT volumes for FYs 2006 through 2008 with the proposed scanner is presented in the following table: *(April 7, 2006, CON Application, Page 14)*

Table 2: Projected CT Volume for FYs 2006 through 2008 with the Proposal

| Description | FY 2006 | FY 2007 | FY 2008 |
|---------------------------------------|---------|---------|---------|
| Projected # CT Scans | 3,876 | 4,500 | 4,750 |
| Incremental Volume Change Between FYs | -- | 624 | 250 |
| % Volume Increase Between FYs | | 16.1% | 5.6% |

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

11. The Applicant based its CT volume projections on the following factors: *(April 7, 2006, CON Application, Pages 14, 15 and 16)*

- The single-slice scanner performs approximately 15 scans per day on average;
- Due to the improved processing speeds of the proposed 64-slice scanner and an anticipated increase in referrals from area physicians, daily CT volumes are projected to increase to approximately:
 - 17 exams per day in Year 1;
 - 18 exams per day in Year 2; and
 - 19 exams per day in Year 3.

12. The proposed 64-slice CT scanner will feature the following enhancements: *(April 7, 2006, CON Application, Pages 12, 13 & 17 and July 7, 2006, Prefile Testimony, Page 4)*

- Faster exams, typically 2 seconds, which will improve patient comfort and the overall patient experience, especially when imaging the elderly and those individuals with cardiac and pulmonary disease.
- Automatic controls that reduce the amount of radiation received by a patient of any age, while allowing for the appropriate radiation dosage to produce quality images.
- Less contrast material being required for an exam, which is safer for the patient.
- The ability to acquire data and images in one plane at high resolution and then manipulate the image to view the anatomy in any other plane without loss of detail.
- Improved imaging of vascular structures including the heart, coronary arteries, and other anatomy not currently possible on the existing single-slice CT scanner.
- A dramatic reduction in artifact from orthopedic hardware, which results in improved evaluations of bone and joints.

13. The Applicant states that it has been performing CTA studies for approximately two years. Currently CTA scans are performed on CT scanners located in Avon (8-slice CT unit) and Wethersfield (32-slice CT unit). The proposed 64-slice scanner will be able to produce images with improved quality compared to the image quality produced by either the Avon or Wethersfield CT scanners. *(July 7, 2006, Prefile Testimony, Pages 4 and 5)*

14. The Applicant projects that it will perform 170 CTAs in FY 2006 with its current CT scanning units and anticipates that volume for CTAs will continue to grow as referring physicians and patients demand this less invasive technology to diagnose circulatory disorders. *(July 7, 2006, Prefile Testimony, Page 5)*

15. The Applicant's projected CTA volumes for operating years 1 through 3 with the proposed scanner is presented in the following table: (*July 7, 2006, Prefile Testimony, Page 8*)

Table 3: Projected CTA Volume for Years 1 through 3 with the Proposal

| Description | FY 2006 | FY 2007 | FY 2008 |
|---------------------------------------|---------|---------|---------|
| Projected # CT Scans | 3,876 | 4,500 | 4,750 |
| CT Angiography % from Total CT Volume | 5% | 8% | 12% |
| # CT Angiography Scans | 194 | 360 | 570 |

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

16. American College of Radiology ("ACR") Practice Guidelines for the performance and interpretation of CT angiography indicates that the use of multidetector-row CT scanners ("MDCT") is preferred for CT angiography and should include the following equipment specifications: (*July 7, 2006, Prefile Testimony, Page 9*)

- The scanner should be a MDCT, preferably with greater than or equal to 16 active detector rows (i.e. 16-slices);
- Gantry rotation should equal 1 second or less for extracardiac and 0.5 seconds or less for cardiac CT angiography; and
- Minimum section thickness that is no greater than 3 mm, preferably no greater than 1.5 mm.

17. With regard to their proposal, radiologists for the Applicant testified to the following at the public hearing: (*July 7, 2006, Prefile Testimony, Page 20*)

- The proposed 64-slice CT scanner will meet or exceed all ACR guidelines for CT angiography including the heart and coronary arteries;
- Physician coverage will be provided by physicians of Jefferson Radiology with interpretation by those physicians with experience in vascular and cardiac imaging under the direction of Drs. Stein and O'Loughlin, who have extensive experience in non-invasive vascular imaging; and
- Patients who require CTA scans on an outpatient basis are clinically stable and can safely be seen in a physician's office.

18. The existing and proposed hours of operation for the West Hartford CT service is as follows: (*April 7, 2006, CON Application, Page 14*)

Table 4: Existing and Proposed Schedule of Operation

| Description | Existing | Proposed |
|---------------------------------------|--------------------|-------------------|
| Monday, Tuesday, Wednesday and Friday | 8:00 am – 4:45 pm | 7:45 am – 5:00 pm |
| Thursday | 8:00 am – 9:00 pm | 7:45 am – 9:00 pm |
| Saturday | 7:00 am – 12:00 pm | 7:00 am – 3:30 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**

19. The estimated total capital cost of the CON proposal is \$1,922,567. The capital costs are itemized as follows: \$1,585,158 for the lease of the replacement unit; \$242,300 for building work to accommodate the new unit and \$95,109 for sales tax associated with the unit's acquisition. *(April 7, 2006, CON Application, Page 21)*
20. The proposed CT scanner will be installed within an existing file room of the West Hartford office. File room renovation includes: demolition of existing walls and ceilings; installation of new lead walls, windows and doors; all electrical work and all finishing work. The construction will occur in stages to ensure that the new scanner is operational before the existing scanner is taken out of service. *(April 7, 2006, CON Application, Page 22)*
21. The project will be financed through an equity contribution of \$242,300 and lease financing of \$1,680,267. *(April 7, 2006, CON Application, Pages 24 & 25)*
22. The proposed project renovation is scheduled to commence in July 2006 with operation of the proposed CT scanner in October 2006. *(April 7, 2006, CON Application, Page 23)*
23. The Applicant projects incremental revenue from operations, total operating expense and losses/gains from operations associated with the CON proposal for FY 2006 through FY 2008 as follows: *(April 7, 2006, CON Application, Page 258)*

Table 5: Incremental Financial Projections for FY 2006 - FY 2008

| Description | FY 2006 | FY 2007 | FY 2008 |
|--|------------------|-----------------|-----------------|
| Incremental Revenue from Operations | \$49,392 | \$294,000 | \$392,000 |
| Incremental Total Operating Expense | \$53,513 | \$227,032 | \$333,327 |
| Incremental (Loss)/Gain from Operations | (\$4,121) | \$66,968 | \$58,673 |

24. The Applicant indicates that its projected incremental loss in FY 2006 is primarily due to the start-up expenses associated with the proposed scanner. *(April 7, 2006, CON Application, Page 27)*
25. There is no State Health Plan in existence at this time. *(April 7, 2006, CON Application, Page 12)*
26. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(April 7, 2006, CON Application, Page 12)*

27. 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. *(April 7, 2006, CON Application, Page 20)*
28. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(April 7, 2006, CON Application, Page 20)*
29. The Applicant's projected payer mix during the first three years of operating the proposed CT scanner is as follows: *(April 7, 2006, CON Application, Pages 25 & 26)*

Table 6: Three-Year Projected Payer Mix with the CON Proposal

| Payer Mix | Year 1 | Year 2 | Year 3 |
|-----------------------------|----------------|----------------|----------------|
| Medicare | 27.2% | 27.2% | 27.2% |
| Medicaid | 2.2% | 2.2% | 2.2% |
| TriCare (CHAMPUS) | 0.0% | 0.0% | 0.0% |
| Total Government | 29.4% | 29.4% | 29.4% |
| Commercial Insurers | 66.8% | 66.8% | 66.8% |
| Other (self-pay, No-Fault) | 0.8% | 0.8% | 0.8% |
| Workers Compensation | 3.0% | 3.0% | 3.0% |
| Total Non-Government | 70.6% | 70.6% | 70.6% |
| Total Payer Mix | 100.00% | 100.00% | 100.00% |

30. The proposal will not result in any change to the Applicant's patient/physician mix. *(April 7, 2006, CON Application, Page 20)*
31. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 7, 2006, CON Application, Page 18)*
32. The Applicant's rates are sufficient to cover the proposed capital and operating costs associated with the proposal. *(April 7, 2006, CON Application, Page 309)*

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 38 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 and bone densitometry services with a full spectrum of vascular and interventional procedures. Jefferson Radiology currently provides computed tomography amongst other imaging services at its West Hartford office, located at 941 Farmington Avenue. The Applicant is proposing to acquire a 64-slice CT scanner, renovate existing space to accommodate the new scanner and remove the office’s existing ten-year old, single-slice CT scanner. The current CT scanner will remain in operation until the new unit becomes operational.

The need for the project is based on the technological obsolescence of the current 10-year old scanner and advancements in CT technology. The Applicant intends to acquire and operate a General Electric, LightSpeed VCT Multi-Slice CT Scanner. The proposed CT scanner will possess 64-slice capability and feature better image quality, faster scanning time, thinner sliced scans, reduced dosages of radiation and contrast media per examination and the ability to perform advanced procedures such as CT angiography (“CTA”), 3-dimensional applications such as musculoskeletal and orthopedic studies, CT enterography and CT colonography. These procedures are known to be less invasive than traditional diagnostic examination methods. In addition to providing enhanced imaging of vascular structures including the heart and coronary arteries, the proposed scanner will also examine other anatomical structures such as the brain, lung, kidneys, liver and extremities. The proposed scanner will meet or exceed all American College of Radiology guidelines for CTA examination. Physician coverage will be provided by Jefferson Radiology practitioners with interpretation by those group physicians who have extensive experience in non-invasive vascular and cardiac imaging. Patients who require CTA scans on an outpatient basis will be clinically stable and will be safely seen in the West Hartford office.

Jefferson’s Radiology’s actual West Hartford office CT volume is 3,214, 3,408 and 3,589 scans for fiscal years (“FYs”) 2003 through 2005, respectively. CTA studies have been performed by the Applicant for approximately two years at their Avon (8-slice CT unit) and Wethersfield (32-slice CT unit) offices. The Applicant anticipates that volume for CTAs will continue to grow as referring physicians and patients demand this less invasive technology. The proposed 64-slice scanner will be able to produce images with improved quality compared to the image quality produced by either of their Avon or Wethersfield CT scanners. Since the Applicant’s acquisition of the existing single-slice CT scanner, CT scanning technology has evolved significantly. The acquisition of the proposed scanner will allow for improvements in the quality of patient care and will provide area patients with greater access to state-of-the-art CT scanning technology. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of CT services in the greater Hartford region.

The total capital cost for the CON proposal is \$1,922,567. The project will be financed through an equity contribution of \$337,409 and lease financing of \$1,585,158. The Applicant projects an incremental loss from operations of (\$4,121) in FY 2006 and incremental gains from operations of \$66,968 and \$58,673 in FYs 2007 and 2008, respectively, from the project. According to the Applicant the incremental loss in FY 2006 is primarily attributable to start-up expenses relating to the proposed CT 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. 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 Jefferson Radiology, P.C. to acquire a 64-slice computed tomography scanner at a total capital cost of \$1,922,567, is hereby GRANTED.

Order

Jefferson Radiology, P.C. ("Applicant") is hereby authorized to acquire a 64-slice computed tomography ("CT") scanner for its West Hartford office, at a total capital cost of \$1,922,567, subject to the following conditions:

1. This authorization shall expire on October 1, 2007. Should the Applicant's CT 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 \$1,922,567. 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 64-slice CT scanner by no later than one month after the new scanner becomes operational.
4. This authorization requires the removal of the Applicant's existing single-slice CT 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 single-slice CT scanner by no later than three months after the 64-slice 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

July 24, 2006

Signed by Cristine A. Vogel
Commissioner