



## Office of Health Care Access Certificate of Need Application

### Agreed Settlement

**Applicants:** Johnson Memorial Hospital, Manchester Memorial Hospital, Rockville General Hospital, and Windham Community Memorial Hospital, d/b/a Tolland Imaging Center, LLC

**Docket Number:** 06-30841-CON

**Project Title:** Establishment and Operation of a Comprehensive Imaging Center in Tolland Through a Joint Venture Between Johnson Memorial Hospital, Manchester Memorial Hospital, Rockville General Hospital, and Windham Community Memorial Hospital

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

**Filing Date:** May 15, 2007

**Hearing Date:** September 6, 2007

**Decision Date:** September 18, 2007

**Default Date:** Not Applicable

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

**Project Description:** Johnson Memorial Hospital, Manchester Memorial Hospital, Rockville General Hospital, and Windham Community Memorial Hospital, d/b/a Tolland Imaging Center, LLC (together referred to as “Applicants”) propose to establish and operate a comprehensive imaging center in Tolland, Connecticut, at a total capital cost of \$2,615,000.

**Nature of Proceedings:** On May 15, 2007, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from the Applicants for the establishment and operation of a comprehensive imaging center in Tolland, Connecticut, at a total cost of \$2,615,000. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public regarding OHCA’s receipt of the Applicants’ Letter of Intent to file their CON Application was published on October 16, 2006, in the *Journal Inquirer* (Manchester) and on December 18, 2006, in *The Chronicle* (Willimantic). OHCA received no responses from the public concerning the Applicants’ proposal. Pursuant to 19a-639, three individuals or an individual representing an entity with five or more people had until June 5, 2007, 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 hearing requests from the public by June 5, 2007. On July 31, 2007, beyond the 21 calendar day period, OHCA received a request from Windham Radiology Associates, P.C. to hold a public hearing in this matter.

Pursuant to Sections 19a-638 & 19a-639, C.G.S., a public hearing regarding the CON application was held on September 6, 2007. On August 8, 2007, the Applicant was notified of the date, time and place of the hearing. On August 12, 2007, a notice to the public was published in the *Journal Inquirer* (Manchester). On August 12, 2007, a notice to the public was published in *The Chronicle* (Willimantic). Commissioner Cristine A. Vogel served as Presiding Officer. The 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 Sections 19a-638 & 19a-639, C.G.S.

By petition dated August 31, 2007, Windham Radiology Associates, P.C. requested Party or, in the alternative, Intervenor status regarding the Applicants’ CON application. On September 5, 2007, the Presiding Officer designated Windham Radiology Associates, P.C. as an Intervenor with limited rights.

Each of the Applicants involved noted in the filed affidavit that their combined total expenses for the proposal’s first three years of operation will exceed one percent of the actual operating expenses for the most recent completed fiscal year as filed with OHCA, therefore, the default date does not apply.

OHCA’s authority to review and approve, modify or deny this proposal 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 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. Johnson Memorial Hospital, Inc. ("JMH") is an acute care hospital located at 201 Chestnut Hill Road, Stafford Springs, Connecticut. (*October 6, 2006, Letter of Intent, page 2*)
2. Windham Community Memorial Hospital, Inc. ("WCMH") is an acute care hospital located at 112 Mansfield Avenue, Willimantic, Connecticut. (*October 6, 2006, Letter of Intent, page 2*)
3. Manchester Memorial Hospital, Inc. ("MMH") is an acute care hospital located at 71 Haynes Street, Manchester, Connecticut. (*October 6, 2006, Letter of Intent, page 2*)
4. Rockville General Hospital, Inc. ("RGH") is an acute care hospital located at 31 Union Street, Vernon, Connecticut. (*October 6, 2006, Letter of Intent, page 2*)
5. Through a joint venture, the Applicants are proposing to establish and operate a comprehensive freestanding imaging center at 6 Fieldstone Commons, Tolland, Connecticut, to be known as Tolland Imaging Center, LLC ("Center"). (*October 6, 2006, Letter of Intent, pages 3 & 12 and October 6, 2006, Letter of Intent, page 3*)
6. The ownership of the proposed Center is identified in the following table, with net profits and net losses for each fiscal year allocated to each Applicant in accordance with their respective membership interest at the end of the fiscal year.

**Table 1: Applicants' Individual Ownership Percentage**

|   |             |
|---|-------------|
| Johnson Memorial Hospital, Inc.           | 15%         |
| Windham Community Memorial Hospital, Inc. | 15%         |
| Manchester Memorial Hospital, Inc.        | 35%         |
| Rockville General Hospital, Inc.          | 35%         |
| <b>Total Ownership Percentage</b>         | <b>100%</b> |

(*March 5, 2007, Initial CON Application, pages 25, 272, 283*)

7. The proposed Center will be a comprehensive imaging center offering the following complement of modalities: Magnetic Resonance Imaging ("MRI"), Computed Tomography ("CT"), mammography, bone densitometry, radiography, and ultrasound services. (*October 6, 2006, Letter of Intent, page 12*)
8. The Applicants intend to equip the proposed Center with a 0.7 Tesla High Field Open MRI and a 4-Slice CT Scanner. (*April 13, 2007, Completeness Response, pages 21 & 186*)

9. According to the Applicants, each Hospital independently identified the need to expand outpatient services within their respective communities, and negotiations over the last year have led to the current joint proposal for the proposed Center. *(March 5, 2007, Initial CON Application, page 4)*
10. A Board of Managers (“BoM”) will be created to manage the business, property, and affairs of the proposed Center. The BoM will consist of six (6) members, two (2) each from MMH and RGH and one (1) each from JMH and WCMH. *(March 5, 2007, Initial CON Application, pages 272-3)*
11. According to the Applicants, the benefits of a joint venture proposal include:
- Reduce risk to each Hospital involved in the venture;
  - Pool limited resources in establishing needed imaging services;
  - Enhance the Applicants’ relationships with existing providers in the community;
  - Strengthen the network of services offered to their patients in the region; and
  - Provide improved continuity of care for patients loyal to each of the four Hospital Applicants.
- (March 5, 2007, Initial CON Application, page 4)*
12. The Applicants based the need for the proposed Center in Tolland on an increasing service area population, and on the potential to improve continuity of care and increase access to services for current and future patients in the proposed service area. *(March 5, 2007, Initial CON Application, pages 5-18)*
13. The Primary Service Area (“PSA”) and Secondary Service Area (“SSA”) for each Applicant is as follows:

**Table 2: Applicants’ Existing Service Area**

| <b>ECHN (MMH &amp; RGH)</b> |   |
|-----------------------------|---|
| PSA:                        | Andover, Ashford, Bolton, Coventry, East Windsor, Ellington, Manchester, South Windsor, Tolland, Vernon, and Willington |
| SSA:                        | Columbia, East Hartford, Glastonbury, Hebron, Mansfield, Somers, Stafford, and Union                                    |
| <b>JMH</b>                  |   |
| PSA:                        | Enfield, Somers, Stafford, and Union  |
| SSA:                        | Ashford, East Granby, East Windsor, Ellington, South Windsor, Suffield, Tolland, Vernon, Willington, and Windsor        |
| <b>WCMH</b>                 |   |
| PSA:                        | Chaplin, Columbia, Coventry, Hampton, Lebanon, Mansfield, Scotland, Willimantic, and Windham                            |
| SSA:                        | Andover, Ashford, Brooklyn, Canterbury, Colchester, Eastford, Franklin, Hebron, Sprague, Tolland, and Willington        |

*(March 5, 2007, Initial CON Application, pages 8-9)*

14. The Applicants stated that the proposed Center’s service area will include the following towns:

**Table 3: Proposed Center’s Service Area**

|      |   |
|------|---|
| PSA: | Coventry, Ellington, Mansfield, Tolland, Vernon (including Rockville), and Willington |
| SSA: | Andover, Bolton, Manchester, Somers, and Stafford (including Stafford Springs)        |

(March 5, 2007, Initial CON Application, page 5)

15. In FY 2006, the four Hospital Applicants accounted for 64% of inpatient discharges for residents of the PSA and 60% of inpatient discharges for residents of the SSA. (CT Inpatient Discharge Database, FY 2006)

16. The Applicants provided a list of 28 physicians that are currently affiliated with the Applicants and are expected to refer to the proposed Center, as follows:

- JMH has five affiliated physicians in Tolland, two in Stafford Springs, and one in Willington, practicing in the specialties of internal medicine, OB/GYN, pediatrics, orthopedics, and family practice, and is also actively negotiating with other primary care and orthopedic physicians to establish offices in the Tolland area;
- ECHN has twelve affiliated physicians that are located in the same building as the proposed imaging center, practicing within the specialties of orthopedics, gastroenterology, obstetrics, gynecology, and family practice; and
- WCMH has eight affiliated physicians located in two family practice offices in Mansfield, along with a medical walk-in center operated by the Hospital and located in Mansfield.

(April 13, 2007, Completeness Response, pages 5-6 and October 6, 2006, Letter of Intent, page 12)

17. According to the Applicants, the number of referrals by imaging modality provided by the twenty eight physicians in FY 2006 (to the Applicants and their affiliated facilities) were as follows:

**Table 4: FY 2006 Imaging Referrals**

| Modality            | Applicants |     |     |       | Affiliates/Satellite Facilities |     |     |     |
|---------------------|------------|-----|-----|-------|---------------------------------|-----|-----|-----|
|                     | JMH        | MMH | RGH | WCMH  | JDIC                            | GWC | EIC | WCW |
| <b>MRI</b>          | 76         | 83  | 188 | 447   | 206                             | n/a | 52  | n/a |
| <b>CT</b>           | 84         | 40  | 103 | 472   | 178                             | n/a | 15  | n/a |
| <b>Ultrasound</b>   | 244        | 72  | 78  | 704   | 311                             | n/a | 16  | n/a |
| <b>Mammography</b>  | 68         | 38  | 24  | 1,205 | 273                             | 8   | n/a | 180 |
| <b>Bone Density</b> | n/a        | n/a | n/a | 273   | n/a                             | 2   | n/a | 29  |
| <b>X-ray</b>        | 256        | 260 | 638 | 2,134 | 858                             | 13  | 232 | n/a |

Note: JDIC=Johnson Diagnostic Imaging Center (Enfield); GWC= Glastonbury Wellness Center; EIC= Evergreen Imaging Center; WCW= Women’s Center for Wellness  
 (May 15, 2007, Completeness Response, page 2)

18. Michael Morosky, M.D. and Daniel Welling, M.D., both obstetrician-gynecologists testifying on behalf of the Applicant, stated that they would refer 1-5 patients per week for MRI breast exams, and Denneth Dardick, M.D., a family physician stated that his practice would refer patients for musculoskeletal, sports medicine, and breast exam MRIs. (September 6, 2007, Testimony, Public Hearing)

19. The Applicants anticipate that some of the Hospitals' existing patients originating from the proposal's PSA will choose to utilize the proposed Center's comprehensive freestanding imaging center due to improved accessibility, but that a significant portion of the volume will come from new patient growth in the market and that this will minimize erosion of the Hospitals' current patient volumes. *(March 5, 2007, Initial CON Application, page 16, April 13, 2007, Completeness Response, pages 22-23, and May 15, 2007, Completeness Response, page 4)*
20. The Applicants indicate that they do not anticipate that the proposed Center will have a significant impact on ECHN's Evergreen Walk Imaging Center ("EWIC") in South Windsor. The majority of referrals to EWIC (over 80%) in FY 2006 originated from physicians other than the twenty-eight physicians identified as the potential referrers to the proposed Center. *(May 15, 2007, Completeness Response, page 2)*

### **Magnetic Resonance Imaging**

21. The Applicants currently operate the following hospital-based MRI scanners:

**Table 5: Applicants' Existing MRI Scanners**

| <b>Applicant</b> | <b>Type</b>      | <b>Hours of Operation</b>   |
|------------------|------------------|---|
| JMH              | 1.5 Tesla Closed | Monday, Tuesday, Thursday 8 am-6 pm                                 |
| MMH              | 1.5 Tesla Closed | Monday - Friday 6:30 am-7:30 pm<br>Saturday 8 am-Noon               |
| RGH              | 1.5 Tesla Closed | Monday -Friday, 7 am-4:30 pm  |
| WCMH             | 1.0 Tesla Closed | Monday-Friday 9 am-8 am<br>Saturday 10 am-6 pm<br>Sunday 11 am-4 pm |

*(March 5, 2007, Initial CON Application, pages 15-16)*

22. The Applicants' total historical MRI utilization was reported as follows:

**Table 6: Applicants' Historical MRI Utilization**

|                    | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007*</b>  |
|--------------------|---------------|---------------|---------------|---------------|
| <b>JMH</b>         |               |               |               |               |
| Inpatient          | 230           | 271           | 323           | 337           |
| Outpatient         | 623           | 645           | 513           | 575           |
| Emergency          | 6             | 8             | 11            | 9             |
| <b>Total</b>       | <b>859</b>    | <b>924</b>    | <b>847</b>    | <b>921</b>    |
| <b>MMH</b>         |               |               |               |               |
| Inpatient          | 488           | 546           | 563           | 585           |
| Outpatient         | 3,962         | 3,708         | 3,813         | 3,489         |
| Emergency          | 41            | 65            | 56            | 91            |
| <b>Total</b>       | <b>4,491</b>  | <b>4,319</b>  | <b>4,432</b>  | <b>4,165</b>  |
| <b>RGH</b>         |               |               |               |               |
| Inpatient          | 210           | 312           | 223           | 272           |
| Outpatient         | 1,333         | 1,379         | 1,662         | 1,771         |
| Emergency          | 16            | 18            | 24            | 37            |
| <b>Total</b>       | <b>1,559</b>  | <b>1,709</b>  | <b>1,909</b>  | <b>2,080</b>  |
| <b>WCMH</b>        |               |               |               |               |
| Inpatient          | 370           | 422           | 487           | 451           |
| Outpatient         | 3,104         | 2,971         | 3,129         | 3,161         |
| Emergency          | 32            | 45            | 37            | 67            |
| <b>Total</b>       | <b>3,506</b>  | <b>3,438</b>  | <b>3,653</b>  | <b>3,679</b>  |
| <b>Grand Total</b> | <b>10,415</b> | <b>10,390</b> | <b>10,841</b> | <b>10,845</b> |

\* 2007 Volumes are annualized based on actual volume data from October 2006 – June 2007. (March 5, 2007, Initial CON Application, pages 10-12 and July 27, 2007, Additional Information, pages 1-4)

23. The Applicants project MRI scan volume for the proposed Center as follows:

**Table 7: Projected MRI Utilization**

|                      | <b>FY 2008</b> | <b>FY 2009</b> | <b>FY 2010</b> |
|----------------------|----------------|----------------|----------------|
| <b>MRI Volume</b>    | 1,386          | 2,016          | 2,520          |
| <b>Scans per day</b> | 6              | 8              | 10             |

Note: The Applicants based the projected volumes on operation of the proposed MRI scanner Monday – Friday, 252 days per year. The Applicants are projecting total MRI capacity in the PSA of 7,292, 8,072 and 8,935 for FYs 2008-2010, respectively. The Applicants based the projected capacity on use-rates derived utilizing data from the Advisory Board's Outpatient Market Estimator Tool. (March 5, 2007, Initial CON Application, page 17)

## Computed Tomography

24. The Applicants currently operate the following hospital-based CT scanners:

**Table 8: Applicants' Existing CT Scanners**

| Applicant | Type                       | Hours of Operation  |
|-----------|----------------------------|---|
| JMH       | Single Slice               | Monday-Friday 8 am-6 pm<br>Saturday, 8 am-Noon                      |
| MMH       | Single Slice &<br>16-Slice | Monday-Friday 6:30 am-7:30 pm<br>Saturday 8 am-Noon                 |
| RGH       | Single Slice               | Monday-Friday 8 am-7 pm   |
| WCMH      | Multi-Slice                | Monday-Friday 9 am-8 am<br>Saturday 10 am-6 pm<br>Sunday 11 am-4 pm |

(March 5, 2007, Initial CON Application, pages 15-16)

25. The Applicants' total historical CT utilization was reported as follows:

**Table 9: Applicants' Historical CT Utilization**

|                    | 2004          | 2005          | 2006          | 2007*         |
|--------------------|---------------|---------------|---------------|---------------|
| <b>JMH</b>         |               |               |               |               |
| Inpatient          | 2,040         | 2,386         | 2,579         | 2,063         |
| Outpatient         | 975           | 814           | 734           | 796           |
| Emergency          | 2,129         | 2,555         | 2,644         | 3,708         |
| <b>Total</b>       | <b>5,144</b>  | <b>5,755</b>  | <b>5,957</b>  | <b>6,567</b>  |
| <b>MMH</b>         |               |               |               |               |
| Inpatient          | 3,649         | 3,896         | 4,466         | 4,547         |
| Outpatient         | 8,996         | 8,985         | 9,403         | 8,905         |
| Emergency          | 3,211         | 3,902         | 4,964         | 5,763         |
| <b>Total</b>       | <b>15,866</b> | <b>16,783</b> | <b>18,833</b> | <b>19,215</b> |
| <b>RGH</b>         |               |               |               |               |
| Inpatient          | 2,063         | 2,195         | 1,889         | 2,015         |
| Outpatient         | 3,375         | 3,707         | 4,252         | 4,053         |
| Emergency          | 1,879         | 2,379         | 2,522         | 2,893         |
| <b>Total</b>       | <b>7,317</b>  | <b>8,281</b>  | <b>8,663</b>  | <b>8,961</b>  |
| <b>WCMH</b>        |               |               |               |               |
| Inpatient          | 3,138         | 3,009         | 3,426         | 3,679         |
| Outpatient         | 4,837         | 4,303         | 4,815         | 4,369         |
| Emergency          | 2,889         | 2,989         | 2,998         | 3,963         |
| <b>Total</b>       | <b>10,864</b> | <b>10,301</b> | <b>11,239</b> | <b>12,011</b> |
| <b>Grand Total</b> | <b>39,191</b> | <b>41,120</b> | <b>44,692</b> | <b>46,754</b> |

\* 2007 Volumes are annualized based on actual volume data from October 2006 – June 2007.

(March 5, 2007, Initial CON Application, pages 10-12 and July 27, 2007, Additional Information, pages 1-4)

26. The Applicants project CT scan volume for the proposed CT scanner as follows:

**Table 10: Projected CT Utilization**

|                      | <b>FY 2008</b> | <b>FY 2009</b> | <b>FY 2010</b> |
|----------------------|----------------|----------------|----------------|
| <b>CT Volume</b>     | 1,260          | 1,764          | 2,016          |
| <b>Scans per day</b> | 5              | 7              | 8              |

*Note: The Applicants based the projected volumes on operation of the proposed CT scanner Monday – Friday, 252 days per year. The Applicants are projecting total CT capacity in the PSA of 9,304, 10,206 and 11,195 for FYs 2008-2010, respectively. The Applicants based the projected capacity on use-rates derived utilizing data from the Advisory Board’s Outpatient Market Estimator Tool. (March 5, 2007, Initial CON Application, page 17)*

**Other Imaging Services**

27. The Applicants’ historical utilization for Ultrasound, Mammography, Radiography and Bone Density was reported as follows:

**Table 11: Applicants’ Historical Other Imaging Utilization**

|              | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007*</b> |
|--------------|-------------|-------------|-------------|--------------|
| <b>JMH</b>   |             |             |             |              |
| Ultrasound   | 1,997       | 2,338       | 2,600       | 2,511        |
| Mammography  | 725         | 875         | 726         | 835          |
| Radiography  | 15,784      | 16,528      | 16,947      | 17,093       |
| Bone Density | 0           | 0           | 0           | 0            |
| <b>MMH</b>   |             |             |             |              |
| Ultrasound   | 7,610       | 7,309       | 8,502       | 8,522        |
| Mammography  | 1,531       | 1,688       | 1,601       | 2,008        |
| Radiography  | 35,243      | 34,472      | 36,695      | 36,199       |
| Bone Density | 0           | 0           | 0           | 0            |
| <b>RGH</b>   |             |             |             |              |
| Ultrasound   | 5,369       | 5,597       | 5,513       | 6,331        |
| Mammography  | 2,059       | 1,785       | 1,733       | 2,143        |
| Radiography  | 23,799      | 23,556      | 22,012      | 22,220       |
| Bone Density | 0           | 0           | 0           | 0            |
| <b>WCMH</b>  |             |             |             |              |
| Ultrasound   | 6,304       | 6,545       | 6,687       | 7,484        |
| Mammography  | 5,001       | 5,124       | 4,815       | 7,346        |
| Radiography  | 26,430      | 24,993      | 25,269      | 26,636       |
| Bone Density | 3,968       | 3,669       | 3,809       | 1,312        |

*\* 2007 Volumes are annualized based on actual volume data from October 2006 – June 2007. (March 5, 2007, Initial CON Application, pages 10-12 and July 27, 2007, Additional Information, pages 1-4)*

28. The Applicants project the following utilization for Ultrasound, Mammography, Radiography, and Bone Density at the proposed Center:

**Table 12: Projected Utilization by Modality**

|                             | <b>FY 2008</b> | <b>FY 2009</b> | <b>FY 2010</b> |
|-----------------------------|----------------|----------------|----------------|
| <b>Ultrasound</b>           | 2,318          | 2,520          | 2,772          |
| <b>Procedures per day</b>   | 9              | 10             | 11             |
| <b>Mammography</b>          | 3,780          | 4,284          | 4,410          |
| <b>Procedures per day</b>   | 15             | 17             | 18             |
| <b>Radiography</b>          | 4,536          | 5,544          | 6,048          |
| <b>Procedures per day</b>   | 18             | 22             | 24             |
| <b>Bone Density</b>         | 2,520          | 3,024          | 3,528          |
| <b>Bone Density per day</b> | 10             | 12             | 14             |

*Note: The Applicants based the projected volumes on operation of the proposed imaging equipment Monday – Friday, 252 days per year. For the PSA, the Applicants are projecting total Ultrasound capacity of 15,131, 15,918, and 16,747 for FYs 2008-2010, respectively; total Mammography capacity of 11,333, 11,660, and 11,997 for FYs 2008-2010, respectively; total Radiography capacity of 38,778, 39,313, and 39,856 for FYs 2008-2010, respectively; and total Bone Density capacity of 2,812, 2,938, and 3,070 for FYs 2008-2010, respectively. The Applicants based the projected capacity on use -rates derived utilizing data from the Advisory Board’s Outpatient Market Estimator Tool. (March 5, 2007, Initial CON Application, page 17)*

29. The Applicants intend to secure accreditation through the American College of Radiology (“ACR”) for the proposed CT, MRI, ultrasound, and mammography within the first year of operation. *(March 5, 2007, Initial CON Application, page 19)*
30. Jefferson Radiology was selected by the Applicants to provide radiology services at the proposed Center, contingent upon final negotiations of terms. *(May 15, 2007, Completeness Response, page 2)*
31. The Center will be the entity responsible for billing for the proposed services. *(March 5, 2007, Initial CON Application, page 28)*
32. Initially, the hours of operation for the proposed Center are expected to be 7 a.m. to 5 p.m. Monday through Friday. By the proposal’s third year, the hours of operation are expected to increase to accommodate the anticipated increase in patient demand. *(March 5, 2007, Initial CON Application, page 8)*

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

33. The Applicants' total capital cost for the proposed Center includes the following components:

**Table 13: Total Capital Cost**

| Description   | Component Cost     |
|---|--------------------|
| Imaging Equipment (Lease, FMV)                            | \$2,000,000        |
| Medical Equipment (Lease, FMV)                            | \$170,000          |
| Non-Medical Equipment (Lease, FMV)                        | \$45,000           |
| Space (Capital Lease)                                     | \$400,000          |
| <b>Total Capital Cost</b>                                 | <b>\$2,615,000</b> |
| Capitalized Financing Costs (Informational purposes only) | \$301,949          |
| <b>Total Capital Cost including Financing Costs</b>       | <b>\$2,916,949</b> |

(March 5, 2007, Initial CON Application, page 29)

34. Each of the Applicants will fund the proposal with an initial equity contribution as follows:

**Table 14: Applicants' Individual Equity Contribution**

| Applicant           | JMH      | MMH       | RGH       | WCMH     |
|---------------------|----------|-----------|-----------|----------|
| <b>Contribution</b> | \$60,000 | \$140,000 | \$140,000 | \$60,000 |

(March 5, 2007, Initial CON Application, pages 35 & 295)

35. The Applicants project Incremental Income/(Losses) from Operations associated with the CON proposal for each individual Applicant as follows:

**Table 15: Incremental Financial Projections**

| Individual Applicant | 2008        | 2009      | 2010      |
|----------------------|-------------|-----------|-----------|
| <b>JMH</b>           | (\$1,802)   | \$50,153  | \$109,296 |
| <b>MMH</b>           | (\$159,947) | \$117,023 | \$255,025 |
| <b>RGH</b>           | (\$407,507) | \$117,023 | \$255,025 |
| <b>WCMH</b>          | (\$224,427) | \$50,153  | \$109,296 |

*Note: The Applicants anticipate that some of the existing patient volume at each of the hospitals will move to the proposed Center. The incremental loss from operations in FY 2008 is a direct result of this migration of patients. The Applicants indicate that growing demand for imaging services, however, will help minimize erosion in current patient volumes and enable the Hospitals to maintain their financial stability, minimizing incremental losses in years 2 and 3 of the project.*

(April 13, 2007, Completeness Response, Pages 191-195 and March 5, 2007, Initial CON Application, page 39)

36. The Applicants project Incremental Income from Operations with the CON proposal for the Center as follows:

**Table 16: Incremental Financial Projections for Operating Years 2008 through 2010**

| Entity                        | 2008      | 2009      | 2010      |
|-------------------------------|-----------|-----------|-----------|
| <b>Tolland Imaging Center</b> | \$282,514 | \$334,352 | \$728,642 |

(April 13, 2007, Completeness Response, page 190)

37. The proposed Center will lease approximately 4,825 square feet of space from Rockville Bank in a recently constructed building at 6 Fieldstone Commons off Merrow Road in Tolland. (March 5, 2007, Initial CON Application, page 31)
38. The Applicants' current payer mix based on Net Patient Revenue is as follows:

**Table 17: Applicants' Current Payer Mix**

| Description                 | JMH          | MMH          | RGH          | WCMH         |
|-----------------------------|--------------|--------------|--------------|--------------|
| Medicare                    | 21.2%        | 29.4%        | 25.9%        | 22.3%        |
| Medicaid                    | 6.2%         | 3.4%         | 5.5%         | 5.5%         |
| TriCare (CHAMPUS)           | 0.0%         | 0.1%         | 0.3%         | 0.0%         |
| <b>Total Government</b>     | <b>27.4%</b> | <b>32.9%</b> | <b>31.8%</b> | <b>27.8%</b> |
| Commercial Insurers         | 26.0%        | 63.7%        | 65.1%        | 68.0%        |
| Self Pay                    | n/a*         | 1.0%         | 0.7%         | 0.3%         |
| Workers Compensation        | n/a*         | 2.4%         | 2.5%         | 3.9%         |
| Other                       | 46.6%        | --           | --           | --           |
| <b>Total Non-Government</b> | <b>72.6%</b> | <b>67.1%</b> | <b>68.2%</b> | <b>72.2%</b> |
| <b>Total Payer Mix</b>      | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  |

Note: \* Applicants unable to pull specific non-government payer data for JMH (March 5, 2007, Initial CON Application, page 37)

39. The projected payer mix for the proposed Center based on Net Patient Revenue is as follows:

**Table 18: Projected Payer Mix for the Proposed Center**

| Description                 | FY 2008     | FY 2009     | FY 2010     |
|-----------------------------|-------------|-------------|-------------|
| Medicare                    | 28%         | 28%         | 28%         |
| Medicaid                    | 3%          | 3%          | 3%          |
| TriCare (CHAMPUS)           | 1%          | 1%          | 1%          |
| <b>Total Government</b>     | <b>32%</b>  | <b>32%</b>  | <b>32%</b>  |
| Commercial Insurers         | 65%         | 65%         | 65%         |
| Self Pay                    | 1%          | 1%          | 1%          |
| Workers Compensation        | 2%          | 2%          | 2%          |
| <b>Total Non-Government</b> | <b>68%</b>  | <b>68%</b>  | <b>68%</b>  |
| <b>Total Payer Mix</b>      | <b>100%</b> | <b>100%</b> | <b>100%</b> |

(March 5, 2007, Initial CON Application, page 38)

40. The Applicants project commencement of operations at the proposed Center in October, 2007. (March 55, 2007, Initial CON Application, page 32)
41. There is no state health plan in existence at this time. (March 55, 2007, Initial CON Application, page 3)
42. The Applicants have adduced evidence that the proposal is consistent with the Applicants' long-range plans. (March 5, 2007, Initial CON Application, page 4)

43. The Applicants have improved productivity and contained costs through energy conservation, group purchasing, reengineering, and the application of new technologies. *(March 5, 2007, Initial CON Application, page 23)*
44. The proposal will not result in any significant change to the Applicants' teaching and research responsibilities. *(March 5, 2007, Initial CON Application, page 24)*
45. There are no distinguishing or unique characteristics of the Applicants' patient/physician mix that relate to the proposal. *(March 5, 2007, Initial CON Application, page 24)*
46. The Applicants have sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 5, 2007, Initial CON Application, page 20 and Appendix 5D)*

## Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on a case by case basis. Certificate of Need (“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 current utilization of services and the financial feasibility of the proposed services.

Johnson Memorial Hospital (“JMH”), Manchester Memorial Hospital (“MMH”), Rockville General Hospital (“RGH”), and Windham Community Memorial Hospital (“WCMH”), d/b/a Tolland Imaging, LLC (together referred to as “Applicants”) propose to establish and operate a comprehensive medical imaging center (“Center”) at 6 Fieldstone Commons in Tolland, Connecticut. The proposed Center will be jointly owned by the Applicants, enhancing relationships among existing providers in the region. The Applicants currently provide Magnetic Resonance Imaging (“MRI”) scanning, Computed Tomography (“CT”) scanning, Ultrasound, Digital Radiography, Mammography and Bone Densitometry at either their individual hospital campuses or at satellite locations. The Applicants independently identified the need to expand outpatient services into their respective communities, and over the last year have developed the current joint venture proposal to establish a comprehensive freestanding imaging center in order to improve continuity of care and increase access to services for their current and future patients in the proposed service area. At the proposed Center, the Applicants would offer the following complement of modalities to their patients living primarily in the towns of Tolland, Ellington, Vernon, Coventry, Mansfield and Willington: MRI, CT Mammography, Radiography, Ultrasound, and Bone Densitometry.

The proposed Center will be the only comprehensive freestanding imaging center in the PSA and will thus enhance the accessibility of comprehensive diagnostic imaging services. The Applicants have provided names of twenty-eight physicians who are affiliated with the Hospitals, who currently refer patients to the Applicants for imaging services, and who are expected to refer to the proposed Center. The proposed Center will be located in a building that houses twelve physicians affiliated with ECHN. There are also a number of physicians who are affiliated with JMH and WCMH and are located in Tolland and other PSA towns. Based on these findings, the proposed imaging center will allow the Applicants, collaboratively, to provide comprehensive imaging services in a freestanding setting with an established referral base, thus enhancing the quality and accessibility of outpatient imaging services for the Applicants’ patients residing in the proposed service area.

The total capital cost associated with this proposal is \$2,615,000. The Applicants will finance the proposal through lease financing and through an initial equity contribution of \$140,000 each by RGH and MMH and \$60,000 each by JMH and WCMH. The Applicants are projecting incremental gains from operations for the proposed Center of \$282,514, \$334,352, and \$728,642 for FYs 2008-2010, respectively.

In conclusion, this proposal will address the need for comprehensive freestanding imaging services in the proposed service area through a collaboration between four area Hospitals. This proposal also appears to have an existing referral base. However, OHCA is concerned about the conservative volumes projected for the proposed MRI and CT scanner and the impact of these volumes on the Center's financial viability. OHCA requires that the Applicants more fully demonstrate the ability to achieve MRI and CT volumes that will allow the proposed Center to maintain financial viability. Therefore, OHCA concludes that the Applicants should be authorized to offer the proposed MRI and CT imaging, along with other diagnostic imaging services, at the proposed Center for a period of three (3) years. This will provide the Applicants with adequate time to validate that the Center can achieve and maintain financial viability through its projected MRI and CT utilization. If the Applicants are unable to achieve the stated volume projections at the Center at the end of three years, the authorization for the MRI and CT scanners will be terminated. This approach assures the public of a sound professional and financially viable facility.

## Order

**NOW, THEREFORE**, the Office of Health Care Access (“OHCA”) and Johnson Memorial Hospital (“JMH”), Manchester Memorial Hospital (“MMH”), Rockville General Hospital (“RGH”), and Windham Community Memorial Hospital (“WCHM”) d/b/a Tolland Imaging Center, LLC (together referred to as “Applicants”) hereby stipulate and agree to the terms of settlement with respect to the Applicants’ request to establish and operate an imaging center in Tolland through a joint venture between the Applicants at a total capital cost of \$2,615,000 as follows:

1. OHCA and the Applicants agree that this CON is conditionally granted as a demonstration project, within the parameters of stipulation #4, starting on the initial date of operation of the MRI and CT scanner, in order for the Applicants to validate that the program has achieved the utilization stated in stipulation #4. Thereafter, the continuation of this CON shall be governed by Stipulation #7.
2. The Applicants shall provide OHCA with a finalized copy of the professional services agreement with the radiology practice selected to provide radiology services at the imaging center, within 30 days of execution of the agreement.
3. With respect to the acquisition of the CT and MRI equipment, the Applicants shall notify OHCA regarding the following information in writing by no later than 30 days after the equipment becomes operational:
  - a) The name of the manufacturer of the CT and MRI scanner equipment;
  - b) The model name and description of the CT and MRI scanner equipment;
  - c) The initial date of the operation of the CT and MRI scanner equipment.
4. The Applicants agree that they must demonstrate that the service is achieving the stated utilization for the three years of the authorized project period. The volumes that must be achieved every 12 months are as follows:

|                  | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|------------------|---------------|---------------|---------------|
| <b>MRI Scans</b> | 1,386         | 2,016         | 2,520         |
| <b>CT Scans</b>  | 1,260         | 1,764         | 2,016         |

5. OHCA requires that the Applicants contact OHCA upon commencement of operations at the imaging center to schedule annual meetings to be held within 60 days subsequent to the end of each operational year. Unless otherwise notified by OHCA, at each meeting the Applicants shall submit to OHCA the following information:
  - a) MRI scan volume for the Center and for each Hospital and each Hospital location individually, by town, for the first 12 month period, and then each subsequent 12 month period;

- b) CT scan volume for the Center and for each Hospital and each Hospital location individually, by town, for the first 12 month period, and then each subsequent 12 month period;
  - c) Revenue and expense information for the Center on OHCA Financial Attachment I for the first 12 month period, and then each subsequent 12 month period; and
  - d) Net Income/ (Loss) from Investment in Imaging Center.
6. On or before November 30, 2007, JMH must file with OHCA the following documents to demonstrate progress in addressing the working capital deficiency:
- a) Unaudited Balance Sheet for the fiscal year ending September 30, 2007;
  - b) An update regarding the plan of the JMH's Board of Directors addressing the working capital deficiency
7. The Applicants agree to file with OHCA at the end of the initial project period, a request for modification of this CON authorization under Docket Number 06-30841 to continue the operation of this program. Such request shall be filed within thirty (30) calendar days subsequent to the end of the third full fiscal year. The request shall be for the continuation of the service with permanent CON authorization status. The Applicants will be allowed to continue operation of the imaging center until such time as OHCA reviews the request for continuation and takes action upon the request. Continued operation of the imaging center with permanent CON authorization status shall be reviewed and determined based upon the Applicants fully demonstrating to OHCA that the imaging center has achieved the utilization levels stated in stipulation #4.
8. This CON has been granted as a demonstration project, in part, for the following reasons set forth by OHCA in the Rationale section of the Decision:
- *“The proposed Center will be jointly owned by the Applicants, enhancing relationships among existing providers in the region.”*
  - *“The Applicants have provided names of twenty-eight physicians who are affiliated with the Hospitals, who currently refer patients to the Applicants for imaging services, and who are expected to refer to the proposed Center.”*
  - *“The Applicants are projecting incremental gains from operations for the proposed Center of \$282,514, \$334,352, and \$728,642 for FYs 2008-2010, respectively.”*
  - *“OHCA is concerned about the conservative volumes projected for the proposed MRI and CT scanner and the impact of these volumes on the Center's financial viability.”*

As a demonstration project rather than a permanently authorized project, the Applicants must continue to provide OHCA with information that demonstrates, upon project implementation, the following: (1) continued joint ownership relationships; (2) the actual referral base realized for the services; (3) the financial viability of the facility; and (4) the achievement of proposed volumes by the facility.

Accordingly, the Applicants are required to file with OHCA, an annual compliance report that discusses each of the aforementioned points. Such annual compliance report is due at the annual meeting held at the end of each operational year during the demonstration project period, referenced in Stipulation #5. As a conditional CON authorization, the Applicants stipulate and agree that OHCA has the authority to determine whether the Applicants should be allowed to continue the demonstration project at the end of the three-year period. Therefore, if OHCA concludes, based upon its review of the annual compliance filings, that the conditional demonstration project has not achieved the stated goals identified above, OHCA may terminate the demonstration project at the end of the three (3) year period. If this occurs, OHCA will issue a notice of such to the Applicants and the Applicants will have ninety days to comply with such termination notice.

9. OHCA and JMH, MMH, RGH, and WCMH agree that this Agreed Settlement represents a final agreement between OHCA and JMH, MMH, RGH, and WCMH with respect to this request. The signing of this Agreed Settlement resolves all objections, claims, and disputes which may have been raised by the Applicants with respect to Docket Number 06-30841-CON.
10. This authorization shall expire on September 18, 2008. Should the Applicants' imaging center not be fully implemented by that date, including MRI and CT scanning, the Applicants must seek further approval from OHCA to implement the project beyond that date.
11. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement pursuant to the provisions of Sections 19a-642 and 19a-653 of the Connecticut General Statutes at the Applicants' expense, if the Applicants fail to comply with its terms.
12. The Applicants shall not exceed the approved total capital cost of \$2,615,000. 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.

*Signed by Alfred A. Lerz on September 18, 2007*

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Date

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Alfred A. Lerz  
Duly Authorized Agent for  
Johnson Memorial Hospital

***Signed by Dennis McConville on September 18, 2007***

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Date

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Dennis McConville  
Duly Authorized Agent for  
Manchester Memorial Hospital

***Signed by Dennis McConville on September 18, 2007***

\_\_\_\_\_  
Date

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Dennis McConville  
Duly Authorized Agent for  
Rockville General Hospital

*Signed by Richard A. Brvenik on September 18, 2007*

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Date

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Richard A. Brvenik  
Duly Authorized Agent for  
Windham Community Memorial

The above Agreed Settlement is hereby accepted and so ordered by the Office of Health Care Access on September 18, 2007.

*Signed by Commissioner Cristine A. Vogel on September 18, 2007*

\_\_\_\_\_  
Date

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Cristine A. Vogel  
Commissioner

CAV : swl : agf