



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Lawrence and Memorial Hospital

**Docket Number:** 07-30934-CON

**Project Title:** Acquisition of a New 64-Slice CT Scanner for Use as the Hospital's Second On-Campus Scanner

**Statutory Reference:** Section 19a-639, Connecticut General Statutes

**Filing Date:** August 23, 2007

**Decision Date:** October 31, 2007

**Default Date:** November 21, 2007

**Staff:** Diane Duran  
Jack A. Huber

**Project Description:** Lawrence and Memorial Hospital proposes to acquire a new 64-slice computed tomography ("CT") scanner for use as the Hospital's second on-campus CT scanner. The proposed total capital expenditure for the project is \$3,497,770.

**Nature of Proceedings:** On August 23, 2007, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of Lawrence and Memorial Hospital ("Hospital") seeking authorization to acquire a new 64-slice computed tomography scanner for use as the Hospital's second scanner. The proposed total capital expenditure for the project is \$3,497,770. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Hospital's Letter of Intent was published by the Day Publishing Company (New London) on April 28, 2007. OHCA received no responses from the public concerning the Hospital's proposal. Pursuant to Section 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people had until September 13, 2007, the twenty-first calendar day following the filing of the Hospital's CON application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public.

OHCA's authority to review and approve, modify or deny this proposal 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 on the Hospital's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

1. Lawrence and Memorial Hospital ("Hospital") is an acute care general hospital, whose main campus is located at 365 Montauk Avenue in New London, Connecticut. *(July 24, 2007, Initial CON application, Attachment B, page 62)*
2. The Hospital is proposing to expand its on-campus computed tomography ("CT") imaging service by accomplishing the following: *(July 24, 2007, Initial CON application, pages 22, 39 and 40)*
  - a) Acquiring a new 64-slice CT scanner for use as the Hospital's second on-campus scanner;
  - b) Renovating space within the existing Radiology Department to accommodate the proposed scanner and the additional service's support areas; and
  - c) Relocating some of the functional areas of the Radiology Department displaced by the new scanner.
3. The Hospital indicates the need for the second scanner is based on the growing volume of CT procedures attributable to patients presenting at the Hospital's Emergency Department ("ED") and the need to provide greater flexibility for the scheduling of CT procedures, especially when the current CT scanning room is in use. *(July 24, 2007, Initial CON application, page 24)*
4. The Hospital states its recent efforts to improve its imaging record retention process by implementing a picture archiving and communication system ("PACS") has allowed the Hospital to claim existing radiology space to accommodate the proposed CT scanner. *(September 25, 2007, Additional CON information submitted, pages 1 and 2)*
5. The Hospital proposes to purchase a General Electric, 64-slice, LightSpeed VCT/GT200 scanner and control unit. *(July 24, 2007, Initial CON application, page 40 and Attachment G, page 106)*
6. The Hospital indicates that the proposal is intended to serve residents from the communities that comprise the Hospital's service area. *(July 24, 2007, Initial CON application, page 22)*

7. The Hospital indicates its primary (“PSA”) and secondary (“SSA”) service areas includes the following communities: *(July 24, 2007, Initial CON application, page 28)*
  - PSA: East Lyme, Groton, Ledyard, Lyme, Montville, New London, North Stonington, Old Lyme, Stonington, and Waterford
  - SSA: Bozrah, Colchester, Franklin, Griswold, Lisbon, Norwich, Old Saybrook, Preston, Salem and Voluntown
  
8. The Hospital is a full service provider of diagnostic imaging services located at the following sites: *(July 24, 2007, Initial CON application, page 23)*
  - a) The Hospital’s main campus;
  - b) The Pequot Health Center, 52 Hazelnut Hill Road in Groton (in action taken in OHCA Docket Number: 05-30661-CON)
  - c) The satellite Flanders Health Center, 339 Flanders Road in East Lyme;
  - d) The Lawrence and Memorial Medical Office Building at 633 Middlesex Turnpike in Old Saybrook.
  
9. L&M Systems, Inc., a for-profit affiliate of the Hospital, is also a partner in a joint venture freestanding outpatient imaging center with Ocean Radiology Associates, PC. The imaging center is known as Southeastern Connecticut Imaging Center (“SCIC”). *(July 24, 2007, Initial CON application, page 22)*
  
10. SCIC, located at 196 Waterford Parkway South in Waterford, became operational on July 2, 2007, after receiving Certificate of Need (“CON”) authorization from the Office of Health Care Access (“OHCA”) on September 22, 2006, under Docket Number: 05-30661. *(July 24, 2007, Initial CON application, pages 22 and 23 and September 22, 2006, Final Decision, Docket Number: 05-30661-CON)*
  
11. The Hospital and its satellite facilities offer the following imaging services: *(July 24, 2007, Initial CON application, pages 22 and 23 and OHCA’s Certificate of Need Database)*

**Table 1: Imaging Services Offered by Location**

<b>Service:</b>	<b>Hospital</b>	<b>Pequot</b>	<b>Flanders</b>	<b>Old Saybrook</b>	<b>SCIC</b>
CT Scanning	* 16 slice	* 16 slice	N/A	N/A	* 32 slice
MRI Scanning	*	*	N/A	N/A	N/A
Mobile PET	*	*	N/A	N/A	N/A
General Diagnostic	*	*	*	*	*
Ultrasound	*	*	*	*	*
Mammography	*	*	*	*	*
Bone Density	N/A	*	N/A	N/A	*
Nuclear Medicine	*	N/A	N/A	N/A	N/A

Notes: \* Denotes imaging service offered at this imaging location.

N/A: Denotes the service is “Not Available” at this imaging location.

12. In 1990 the Hospital received CON approval for a second on-campus CT scanner under Docket Number: 90-538. In 1999 the Hospital received CON approval to upgrade and relocate the second CT scanner to the Pequot facility to improve access for outpatient and emergency patients under Docket Number: 99-1501. (*July 24, 2007, Initial CON application, page 22*)
13. Actual CT volumes for the Hospital and its satellite facilities for fiscal years (“FYs”) 2003 through 2006 are as follows: (*July 24, 2007, Initial CON application, page 24*)

**Table 2: Actual CT Volume by Facility Site**

<b>Main Campus</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Inpatient	3,957	3,933	3,665	3,933
ED	4,741	5,163	6,356	7,538
Outpatient	5,075	5,164	5,151	5,085
<b>Total</b>	<b>13,773</b>	<b>14,261</b>	<b>15,172</b>	<b>16,556</b>
Capacity 13,978 @80%	99%	102%	109%	118%

<b>Pequot Center</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Inpatient	0	0	0	0
ED	765	828	1,212	1,689
Outpatient	5,643	5,843	6,021	7,238
<b>Total</b>	<b>6,408</b>	<b>6,671</b>	<b>7,233</b>	<b>8,927</b>
Capacity 9,318 @80%	69%	72%	78%	96%

<b>CT Volume - Both Sites</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Inpatient</b>	<b>3,957</b>	<b>3,933</b>	<b>3,665</b>	<b>3,933</b>
<b>ED</b>	<b>5,505</b>	<b>5,991</b>	<b>7,568</b>	<b>9,227</b>
<b>Outpatient</b>	<b>10,719</b>	<b>11,007</b>	<b>11,172</b>	<b>12,323</b>
<b>TOTAL CT VOLUME</b>	<b>20,181</b>	<b>20,931</b>	<b>22,405</b>	<b>25,483</b>

Note: Main and Pequot outpatient scans are adjusted to reflect the transfer of volume from the Hospital to SCIC.

14. The Hospital indicated the need for the additional CT scanner is based on the following factors: (*July 24, 2007, Initial CON application, page 22*)
- a) The volume of scans currently being performed at the main campus site;
  - b) The recent average annual 19% increase in main ED patient scans from FYs 2003 to 2006; and
  - c) The need to provide greater flexibility for the scheduling of CT procedures, especially when the current CT scanning room is in use and access becomes limited for patients with immediate imaging needs.
15. The Hospital stated that current improvements in CT technology will lead to adoption of emerging applications in cardiac, lung, and colon diagnosis and treatment. Most of these emerging applications are expected to become the diagnostic method of choice within the life cycle of currently available scanners. (*July 24, 2007, Initial CON application, page 22*)

16. The following table provides the annual CT scan capacity analysis by site based upon its seven month, projected-actual CT scan volume by facility scanner: (July 24, 2007, Initial CON application, pages 25 and 26)

**Table 3: Annual CT Scan Capacity for Current Scanners**

	Hospital	Pequot	SCIC
Number of CT Scanners	1	1	1
Average # Hours/Day Scanner Operates	24	16	9
Days/Week Operational	7	7	5
Weeks/Year Operational	52	52	52
Targeted Utilization as % of Capacity	80%	80%	80%
Annual Total Capacity for Scans in Hours	6,989	4,659	1,872
Average CT Scan Time in Hours	0.5	0.5	0.5
Annual Capacity - # CT Scans/Scanner	13,978	9,318	3,744
2007 Projected-Actual # CT scans	19,811	9,616	626
<b>% Total CT Capacity</b>	<b>142%</b>	<b>103%</b>	<b>17%</b>

17. The Hospital reported the following percentages of main campus CT scans by service: (July 24, 2007, Initial CON application, page 26)

**Table 4: Actual Hospital CT Scan Volume Percentages by Service**

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007*
Inpatient	28.7%	27.6%	24.1%	23.8%	21.8%
ED	34.5%	36.2%	41.9%	45.5%	51.6%
Outpatient	36.8%	36.2%	34.0%	30.7%	26.6%
Total	100%	100%	100%	100%	100%

Note: \* Seven months of actual data annualized for FY 2007.

18. The current main campus CT scanner operates 24 hours per day, 7 days a week and will continue this schedule through the first three years of operation of the proposed scanner. (July 24, 2007, Initial CON application, page 31)
19. The proposed scanner is anticipated to operate as follows:
- Year 1 – Monday through Friday 7:00 am to 5:00 pm;
  - Year 2 – Monday through Friday 7:00 am to 11:00 pm and Saturday 7:00 to 3:30 pm; and
  - Year 3 – 24 hours per day, 7 days a week.
20. The Hospital projected the following number of CT scans to be performed from FYs 2007 through 2010 with associated percentage utilization: (July 24, 2007, Initial CON application, page 26)

**Table 5: Projected CT Volume by Facility Site**

Main Campus	FY 2007*	FY 2008	FY 2009	FY 2010
Inpatient	4,313	4,411	4,510	4,612
ED	10,227	13,186	17,001	21,920
Outpatient	5,270	4,810	4,810	4,810
<b>Total</b>	<b>19,811</b>	<b>22,407</b>	<b>26,322</b>	<b>31,342</b>
Capacity 13978 @80%	142%	160%	188%	224%

<b>Pequot Center</b>	<b>FY 2007*</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Inpatient	0	0	0	0
ED	2,415	3,718	5,724	8,813
Outpatient	7,201	6,430	6,430	6,430
<b>Total</b>	<b>9,616</b>	<b>10,148</b>	<b>12,154</b>	<b>15,243</b>
Capacity 9318 @80%	103%	109%	130%	164%

  

<b>SCIC</b>	<b>FY 2007*</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Outpatient	626	2,877	4,303	5,658
<b>Total</b>	<b>626</b>	<b>2,877</b>	<b>4,303</b>	<b>5,658</b>
Capacity 3744 @80%	17%	77%	115%	151%

  

<b>CT Volume– All Sites</b>	<b>FY 2007*</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Inpatient</b>	<b>4,313</b>	<b>4,411</b>	<b>4,510</b>	<b>4,612</b>
<b>ED</b>	<b>12,642</b>	<b>16,904</b>	<b>22,725</b>	<b>30,733</b>
<b>Outpatient</b>	<b>13,098</b>	<b>14,117</b>	<b>15,543</b>	<b>16,898</b>
<b>TOTAL CT VOLUME</b>	<b>30,053</b>	<b>35,432</b>	<b>42,779</b>	<b>52,243</b>

Note: \* Seven months of actual data annualized for FY 2007.

21. The Hospital maintains adherence to CT practice guidelines outlined by the American College of Radiology. The Hospital has applied to ACR seeking accreditation for its CT scanning services. The Hospital anticipates receiving the results of their application review within the next 4 to 6 months. *(August 23, 2007, CON completeness response, pages 4 and 5)*

**Financial Feasibility of the Proposal and its Impact on the Hospital's Rates and Financial Condition**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**  
**Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

22. The proposal totals \$3,497,770 in capital expenditures and is itemized as follows: *(July 24, 2007, Initial CON application, page 39)*

**Table 3: Capital Cost**

<b>Description</b>	<b>Component Cost</b>
Renovation Work	\$1,859,181
CT Scanner Purchase	1,450,132
Medical Equipment	106,360
Renovation Work	73,520
Non-Medical Equipment	8,577
<b>Total Capital Expenditure</b>	<b>\$3,497,770</b>

23. The proposed capital expenditure will be financed entirely through Hospital operating funds. *(July 24, 2007, Initial CON application, page 41)*
24. The Hospital's projected three-year incremental revenue from operations, total operating expense and gain from operations associated with the implementation of the new CT scanner are presented in the table below: *(July 24, 2007, Initial CON application, page 43 and Attachment H, page 113)*

**Table 4: Hospital's Financial Projections Incremental to the Project**

Description	FY 2008	FY 2009	FY 2010
Incremental Revenue from Operations	\$1,363,038	\$2,580,971	\$3,533,529
Incremental Total Operating Expense	\$616,725	\$1,382,579	\$1,572,160
<b>Incremental Gain from Operations</b>	<b>\$746,313</b>	<b>\$1,198,392</b>	<b>\$1,961,369</b>

25. The project schedule is as follows: *(July 24, 2007, Initial CON application, page 40)*

**Table 6: Proposed Schedule**

Description	Date
Renovation Commencement	November 2007
Renovation Completion	February 2008
Commencement of Scanner Operation	February 2008

26. The project requires renovation work of approximately 4,900 SF to existing Radiology Department space to accommodate the proposed CT scanner and support areas and to relocate existing department functions displaced by the additional scanner. *(July 24, 2007, Initial CON application, page 39)*

27. The project has been designed in a manner that will allow the Hospital to provide services in an uninterrupted fashion. *(July 24, 2007, Initial CON application, page 39 and 40)*

28. The Hospital's existing payer mix is not expected to change as a result of this project. The current and projected payer mix for the first three years of operation with the proposed equipment is illustrated in the as following table: *(July 24, 2007, Initial CON application, page 42)*

**Table 7: Current and Projected Payer Mix with the Proposal**

Payer	Current FY 2007 & Projected FYs 2008 through 2010
Medicare	29.7%
Medicaid	1.4%
TriCare (CHAMPUS)	0.0%
<b>Total Government</b>	<b>31.1%</b>
Commercial Insurers	62.2%
Uninsured	4.8%
Workers Compensation	1.9%
<b>Total Non-Government</b>	<b>68.9%</b>
<b>Total Payer Mix</b>	<b>100.0%</b>

29. There is no State Health Plan in existence at this time. *(July 24, 2007, Initial CON application, page 23)*

30. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(July 24, 2007, Initial CON application, page 23)*

31. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; by participating in activities involving the application of new technology and reengineering; and by employing group purchasing practices in its procurement of supplies and equipment. *(July 24, 2007, Initial CON application, pages 36 and 37)*

32. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(July 24, 2007, Initial CON application, page 38)*
33. The Hospital's current patient/physician mix is similar to that of other acute care hospitals in the region. The proposal will not result in any change to this mix. *(July 24, 2007, Initial CON application, page 38)*
34. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(July 24, 2007, Initial CON application, page 34 and Attachment A, pages 45 through 61)*
35. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(July 24, 2007, Initial CON application, page 43 and Attachment H, page 113)*

## 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.

Lawrence and Memorial Hospital (“Hospital”) proposes to acquire a new 64-slice General Electric, LightSpeed VCT/GT200 computed tomography (“CT”) scanner for use as the Hospital’s second scanner. The Hospital’s implementation of a picture archiving and communication system will allow the Hospital to claim existing radiology space that can be used to accommodate the proposed CT scanning room and support space. The Hospital anticipates the new scanner will be fully operational by early February 2008.

The Hospital is seeking to acquire a second CT scanner in order to meet the current demand for on-campus CT services and to provide greater flexibility for the scheduling of CT procedures, especially when the current CT scanning room is in use and access becomes limited for patients with immediate imaging needs. The new scanner will have the capability to provide cardiac, lung, and colon diagnosis and treatment. In acquiring the new CT scanner the Hospital seeks to provide its patients with equipment that is up to date and that will provide ready access to quality CT imaging services on a timely basis.

The Hospital estimates the annual capacity of the existing and proposed on-campus CT scanners to be 13,978 scans per year. The Hospital indicates the percentage of ED main campus CT scans has increased from 34% in FY 2003 to 46% in FY 2006. The Hospital reports having performed 16,556 on-campus CT scans in FY 2006, its last full year of operation, and a projected-actual 19,811 on-campus CT scans for FY 2007, based on seven months of actual volume annualized. The Hospital’s main campus for FY 2006 operated at 118% of actual CT capacity. The Hospital’s main campus for FY 2007, based on seven months of actual CT data annualized, is expected to operate at 142% capacity. Based on the above, OHCA finds that the Applicant has demonstrated a need for the additional CT scanner at the Hospital’s main campus. The Hospital’s proposal will improve the accessibility and quality of CT scanning services for the Hospital’s existing patient population.

The CON proposal’s capital expenditure of \$3,497,770 will be financed through Hospital operating funds. In the first three years of operating the second CT scanner, the Hospital projects an incremental gain from operations in each of the fiscal years. The Hospital’s volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is financially feasible and cost-effective.

## ORDER

Based on the foregoing Findings and Rationale, the Certificate of Need application of Lawrence and Memorial Hospital ("Hospital") to acquire a new 64-slice computed tomography scanner ("CT") for use as the Hospital's second on-campus CT scanner, at a total capital expenditure of \$3,497,770, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire February 1, 2009. Should the Hospital's 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 \$3,497,770. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall notify OHCA immediately.
3. With respect to the acquisition of the new computed tomography scanner, the Hospital shall submit to OHCA in writing the following information by no later than one month after the new scanner becomes operational:
  - a) The name of the equipment manufacturer;
  - b) The model name and description of the equipment; and
  - c) The initial date of the operation of the equipment.
4. Should the Hospital propose any change in the array of health care services offered or a change in its complement of existing imaging equipment, the Hospital shall file with OHCA appropriate documentation regarding its change, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

Should the Hospital fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

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 October 31, 2007*

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Date

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Cristine A. Vogel  
Commissioner