



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** NRC Equipment Associates & SWC Corporation  
d/b/a Norwalk Radiology & Mammography Center

**Docket Number:** 07-31009-CON

**Project Title:** Acquisition and Operation of a 16-Slice Computed  
Tomography Scanner to Replace a Single-Slice  
Computed Tomography Scanner in Norwalk

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

**Filing Date:** March 13, 2008

**Decision Date:** April 25, 2008

**Default Date:** June 11, 2008

**Staff Assigned:** Alexis G. Fedorjaczenko

**Project Description:** NRC Equipment Associates & SWC Corp. d/b/a Norwalk Radiology & Mammography Center (“Applicant”) proposes to acquire and operate a 16-slice Computed Tomography Scanner to replace a single-slice Computed Tomography scanner in Norwalk, at an estimated total capital cost of \$605,200.

**Nature of Proceedings:** On March 13, 2008, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from NRC Equipment Associates & SWC Corp. d/b/a Norwalk Radiology & Mammography Center (“Applicant”) seeking authorization to acquire and operate a 16-slice Computed Tomography Scanner to replace a single-slice Computed Tomography scanner in Norwalk, at an estimated total capital cost of \$605,200. The Applicant 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 Applicant’s Letter of Intent was published in *The Hour* on July 26, 2007. OHCA received no responses from the public

concerning the Applicant'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 April 3, 2008, the twenty-first calendar day following the filing of the Applicant's CON Application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public.

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. NRC Equipment Associates & SWC Corporation d/b/a Norwalk Radiology & Mammography Center ("Applicant" or "NRMC") is a for profit subsidiary of the Norwalk Health Services Corporation, which is the parent corporation of Norwalk Hospital. *(July 19, 2007, Letter of Intent, page 1)*
2. NRMC offers the following imaging modalities: digital mammography; Computed Tomography ("CT") scanning; ultrasound; plain x-rays; osteoporosis scanning; fluoroscopy; a CON-approved high field MRI and a CON-approved open MRI in conjunction with Norwalk Hospital. *(July 19, 2007, Letter of Intent, pages 5-6)*
3. The Applicant proposes to replace its existing single-slice CT scanner with a 16-Slice Multidetector CT scanner at 148 East Avenue, Norwalk. The single slice scanner will be turned in to GE as a trade in as part of the purchase agreement. *(September 28, 2007, Initial CON Submission, pages 10 and 14; and July 19, 2007, Letter of Intent, page 3)*
4. The current CT scanner was manufactured in 1997 and acquired as a refurbished machine in 2002. It did not receive a CON as it was under the threshold in place at the time The Applicant also owns a GE Lightspeed Ultra ("CTLS") that was acquired in 2003, approved under Docket Number **02-576**. *(September 28, 2007, Initial CON Submission, page 2 and December 28, 2007, First Completeness Response, page 1)*
5. The Applicant indicated that the proposed service area consists of the following towns:

**Table 1: Service Area Towns**

Primary Service Area ("PSA")	Norwalk, Westport, Wilton, New Canaan, Weston
Secondary Service Area ("SSA")	Fairfield, Darien, Stamford, Ridgefield, Bridgeport, Redding, Trumbull, Southport, New Haven, Easton, Milford, Danbury
Outside of CT:	South Salem, N.Y.

*(September 28, 2007, Initial CON Submission, pages 2-3)*

6. According to the Applicant, the proposal to replace its single-slice CT scanner with a 16-slice CT scanner is based on the following factors:

- The outdated technology of the current unit results in limited capacity for increased volume due to speed and tube cool down requirements;
- Expected continued demand for growth in CT services due to projected service area population growth and the aging of the population; and
- Advances in the technology of the equipment will provide new capabilities and clinical applications.

*(September 28, 2007, Initial CON Submission, pages 3-4 and March 13, 2008, Second Completeness Response, page 4)*

7. Scan volumes for the current single-slice CT scanner and the CTLS are provided in the following table.

**Table 2: Actual CT Volume**

Description	FY 2004	FY 2005	FY 2006	FY 2007*
Single-Slice (to be replaced)	295	633	716	728
CTLS	11,152	10,603	11,340	11,690
<b>Total</b>	<b>11,447</b>	<b>11,236</b>	<b>12,056</b>	<b>12,418</b>

\* 2007 volumes are for 11 months

*Note: Scan volume for the first 5 months of 2004 could not be allocated by scanner and was reported under the CTLS unit. As a result, in 2004, the scan volume for the single-slice unit is understated and the scan volume for the CTLS is overstated*

*(December 28, 2007, First Completeness Response, page 1 and March 13, 2008, Second Completeness Response, pages 1 & 3-4)*

8. The Applicant calculated the capacity of the current single-slice CT scanner to be 3,871 scans per year, and the capacity of the CTLS to be 7,742 scans per year. This is based on 45 hours per week times 50.6 weeks per year times 85% target utilization. The current single-slice CT scanner has an average scan time of 0.5 hours and the CTLS has an average scan time of 0.25 hours. *(March 13, 2008, Second Completeness Response, page 1)*

9. The Applicant stated that there are often prolonged wait times in the office due to current demand and the limitations of the single slice CT. Although the single-slice scanner was operating at 18.8% capacity in 2007, the Applicant states that this is due to the outdated technology and limited clinical applications that can be performed on the unit, restricting its usefulness to patients. Consequently, the other scanner at the site operated at 151% capacity in 2007, resulting in a limited capacity to perform additional scans needed by patients. *(December 28, 2007, First Completeness Response, page 1 and March 13, 2008, Second Completeness Response, pages 3-4)*

10. The Applicant's projected CT volumes for fiscal years ("FYs") 2008 through 2010 for both the proposed scanner and the existing scanner that will not be replaced are presented in the following table:

**Table 3: Projected CT Volume for FYs 2008 - 2010**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Proposed 16-slice	6,706	7,242	7,821
CTLS	6,706	7,242	7,821
Scans as a % of Total capacity of equipment	86.6%	93.5%	101.0%

*Note: Projections are based on an annual 8% increase in scans, beginning with actual 2007 experience. As the proposed scanner and the CTLS will be interchangeable, volume was allocated equally to the equipment. Capacity was determined based on 2 scanners x 45 hours/week each x 50.6 weeks/year x 85% target utilization with an average scan time of .25 hours. (March 13, 2008, Second Completeness Response, pages 1-2)*

11. The current scanners at the center operate from Monday to Friday from 7:15 a.m. to 5:00 p.m. The hours of service for the proposed replacement scanner will be the same. (September 28, 2007, Initial CON Submission, page 6)
12. The Applicant indicated that the following are the existing CT providers in the proposed primary service area:

**Table 4: Existing CT Providers in the Proposed PSA**

<b>Provider Name and Location</b>	<b>Description of Service</b>	<b>Hours/Days of Operation</b>
Norwalk Hospital, Norwalk	16 slice CT scanner	24/7
Norwalk Hospital, Norwalk	Single-slice CT scanner to be replaced with CON-approved 64-slice	24/7
East Avenue Radiology, Norwalk	CT scanner	M-F 8-5 Sa 8-noon

*(September 28, 2007, Initial CON Submission, pages 7-8)*

13. The Applicant indicated that the following are the existing CT providers in the proposed secondary service area:

**Table 5: Existing CT Providers in the Proposed SSA**

<b>Provider Name and Location</b>	<b>Description of Service</b>	<b>Hours &amp; Days of Operation</b>
Diagnostic Imaging Center of Darien (Stamford Hospital), Stamford	CT scanner	M-F 8-4
Advanced Radiology Consultants, Stamford	CT scanner	M-F 8-5
Tully Health Center (Stamford Hospital), Stamford	CT scanner	M-F 8-8 Sa & Su 8-4
Stamford Hospital, Stamford	CT scanner	24/7
Housatonic Valley Imaging, Ridgefield	CT scanner	M-F 8-5
Ridgefield Diagnostic Imaging, Ridgefield	40 slice CT scanner	M-F 8-6
Robert Russo and Associates, Fairfield	CT scanner	M-F 8-5
Advanced Radiology Consultants, Fairfield	CT scanner	M-F 8-5 Sa 8-noon

*(September 28, 2007, Initial CON Submission, pages 7-8)*

14. The Applicant is accredited by the American College of Radiology (“ACR”) for CT and compliance is met through appropriate administrative guidelines, physical training, and quality assurance oversight. *(September 28, 2007, Initial CON Submission, page 9)*

**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**

15. The estimated total capital expenditure of the CON proposal is \$605,200. The capital costs are itemized as follows:

**Table 6: Total Capital Expenditure**

Imaging Equipment Purchase	\$504,000
Non-Imaging Equipment Purchase	\$18,600
Construction/Renovation	\$82,600
<b>Total Capital Expenditure</b>	<b>\$605,200</b>
Capitalized Financing Costs	\$162,064
<b>Total Capital Expenditure with Cap.Fin. Costs</b>	<b>\$767,264</b>

*(September 28, 2007, Initial CON Submission, page 13)*

16. The proposed project would renovate approximately 306 square feet in the existing CT Suite in order to replace the existing unit, which is anticipated to have no negative impact on patient care. *(September 28, 2007, Initial CON Submission, pages 13-14)*
17. The proposed building work is scheduled to begin within 60 days of CON approval and to last approximately a month and a half. Commencement of the CT service is projected approximately two weeks after completion of construction. *(September 28, 2007, Initial CON Submission, page 14)*
18. The project will be financed through a conventional loan. *(September 28, 2007, Initial CON Submission, page 15)*
19. Norwalk Radiology & Mammography Center will bill for the proposed service. *(September 28, 2007, Initial CON Application, page 12)*
20. The Applicant’s projected incremental revenue from operations, total operating expense, and gain from operations associated with the CON proposal are as follows:

**Table 7: Financial Projections Incremental to the Project**

Description	FY 2008	FY 2009	FY 2010
Incremental Revenue from Operations	\$389,238	\$788,417	\$1,230,541
Incremental Total Operating Expense	\$220,831	\$541,229	\$785,417
<b>Incremental Gain from Operations</b>	<b>\$158,407</b>	<b>\$247,188</b>	<b>\$465,124</b>

*(March 13, 2008, Second Completeness Response, Exhibit 1)*

21. There is no State Health Plan in existence at this time. *(September 28, 2007, Initial CON Submission, page 2)*
22. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(September 28, 2007, Initial CON Submission, page 2)*
24. The Applicant has improved productivity and contained costs through energy conservation, reengineering, and application of new technologies. *(September 28, 2007, Initial CON Submission, page 11)*
25. The Applicant's current payer mix at NRMCM and three year projected payer mix for the proposed CT scanner, based on Net Patient Revenue, are as follows:

**Table 8: Three-Year Projected Payer Mix with the CON Proposal**

<b>Payer Mix</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	29.81%	29.81%	29.81%	29.81%
Medicaid	0.97%	0.97%	0.97%	0.97%
Champus and TriCare	0%	0%	0%	0%
<b>Total Government</b>	<b>30.78%</b>	<b>30.78%</b>	<b>30.78%</b>	<b>30.78%</b>
Commercial Insurers	67.1%	67.1%	67.1%	67.1%
Uninsured	0.92%	0.92%	0.92%	0.92%
Workers Compensation	1.2%	1.2%	1.2%	1.2%
<b>Total Non-Government</b>	<b>69.22%</b>	<b>69.22%</b>	<b>69.22%</b>	<b>69.22%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*(September 28, 2007, Initial CON Submission, pages 16-7)*

26. The proposal will not result in any change to the Applicant's current patient/physician mix. *(September 28, 2007, Initial CON Submission, page 11)*
27. The proposal will not result in any change to the Applicant's teaching or research responsibilities. *(September 28, 2007, Initial CON Submission, page 11)*
28. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 28, 2007, Initial CON Submission, page 10 and Exhibit 2)*
29. The Applicant's rates are sufficient to cover the proposed capital expenditures and operating costs associated with the proposal. *(March 13, 2008, Second Completeness Response, pages 1-2)*

## 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.

NRC Equipment Associates & SWC Corporation d/b/a Norwalk Radiology & Mammography Center (“Applicant” or “NRMC”), located at 148 East Avenue, Norwalk, is a for profit subsidiary of the Norwalk Health Services Corporation, the parent corporation of Norwalk Hospital. NRMC currently offers digital mammography, Computed Tomography (“CT”) scanning, ultrasound, plain x-rays, osteoporosis scanning, fluoroscopy, and MRI services. NRMC proposes to replace its existing single-slice CT scanner with a 16-Slice Multidetector CT scanner. NRMC also owns a GE Lightspeed Ultra CT scanner (“CTLS”).

NRMC based the need to replace its single-slice CT scanner with a 16-slice CT scanner on the limitations of the existing single-slice CT scanner. In 2007, with 728 scans on the current single-slice scanner and 11,690 scans on the CTLS, the scanners were operating at 19% and 151% of capacity, respectively. NRMC stated that the low volume on the single-slice scanner and high volume on the CTLS is due to the limited clinical applications of the single-slice scanner and its limited capacity for increased volume due to speed and tube cool down requirements. As a result, there is limited ability to perform additional scans needed by patients and there are often prolonged wait times for CT scanning services. Based on the above, OHCA finds that the Applicant has demonstrated a need to replace the current single-slice CT scanner with the proposed 16-slice CT scanner. The proposal will improve the accessibility and quality of CT scanning services for NRMC’s current patient population.

The total capital expenditure for the CON proposal, to be financed with a conventional loan, is \$605,200. NRMC projects incremental gains from operations related to the proposal of \$158,407 in FY 2008, \$247,188 in FY 2009, and \$465,124 in FY 2010. The Applicant’s 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 and will improve access to quality CT scanning services.

## Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of NRC Equipment Associates & SWC Corp. d/b/a Norwalk Radiology & Mammography Center ("Applicant") seeking authorization to acquire and operate a 16-slice Computed Tomography ("CT") Scanner to replace a single-slice CT scanner in Norwalk, at an estimated total capital cost of \$605,200, is hereby APPROVED.

1. This authorization shall expire on April 25, 2009. Should the Applicant's CT replacement 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 \$605,200. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall notify OHCA immediately.
3. The Applicant shall notify OHCA in writing of the following information by no later than one month after the replacement CT 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.
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 16-slice CT scanner has become operational.

Should the Applicant 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 the Commissioner on April 25, 2008*

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Date

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Cristine A. Vogel  
Commissioner

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