



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Radiologic Associates, P.C., and The Bristol MSO, LLC

**Docket Number:** 07-31054-CON

**Project Title:** Acquisition and Operation of an Hitachi Altaire 0.7 Tesla-Strength Open Magnetic Resonance Imaging Scanner in Bristol

**Statutory Reference:** Section 19a-638 of the Connecticut General Statutes

**Filing Date:** March 17, 2008

**Decision Date:** May 30, 2008

**Default Date:** June 15, 2008

**Staff Assigned:** Paolo Fiducia

**Project Description:** Radiologic Associates, P.C., and The Bristol MSO, LLC (“Applicants”) propose to acquire and operate a 0.7T Open Magnetic Resonance Imaging (“MRI”) scanner, at an estimated total capital cost of \$1,248,830.

**Nature of Proceedings:** On March 17, 2008, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Radiologic Associates, P.C., and The Bristol MSO, LLC (“Applicants”) seeking authorization to acquire and operate a 0.7T Open MRI scanner, at an estimated total capital cost of \$1,248,830. The Applicants are a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA’s receipt of the Applicants’ Letter of Intent was published in *The Bristol Press* on November 6, 2007.

Pursuant to Section 19a-638, C.G.S., three individuals or an individual representing an entity with five or more people had until April 7, 2008, the twenty-first calendar day following the filing of the Applicants' CON application, to request that OHCA hold a public hearing on the Applicants' proposal. OHCA received no hearing requests from the public by April 7, 2008.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-638, 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. Radiologic Associates, P.C. ("RAPC") is a private practice radiology group of seven Bristol-based, board certified radiologists, located at 25 Collins Road, Bristol, Connecticut. (*October 23, 2007, Letter of Intent, page 6*)
2. RAPC states that it has been providing radiology services to Bristol Hospital for over 30 years. (*October 23, 2007, Letter of Intent, page 6*)
3. In March 1999, RAPC and Bristol Hospital opened the Bristol Radiology Center ("BRC") as equal partners, located at 25 Collins Road, Bristol. (*October 23, 2007, Letter of Intent, page 6*)
4. Bristol Radiology Center is a tradename employed by Radiologic Associates, P.C. for its private professional office practice located at 25 Collins Road, Bristol, Connecticut. (*May 27, 2008, Supplemental Information Submitted, page 2*)
5. The medical service organization entitled The Bristol MSO, LLC was formed in 1997 and is jointly owned by Radiologic Associates, P.C. and Bristol Hospital. (*May 27, 2008, Supplemental Information Submitted, page 2*)
6. The Bristol MSO, LLC is the entity that leases equipment, supplies and non-technical support staff to the Bristol Radiology Center. The equipment loan will be taken out by The Bristol MSO, LLC for the purchase and installation of the Hitachi Altaire MRI unit at the Bristol Radiology Center. All equipment, including the new open MRI, is owned by The Bristol MSO, LLC. (*May 27, 2008, Supplemental Information Submitted, page 2*)
7. On March 29, 2006, under CON Determination Report 05-30497-DTR, OHCA determined that The Bristol MSO, LLC as the owner of the imaging equipment, is structured as both a Central Service Facility and is an affiliate of Bristol Hospital, a health care facility or institution. Therefore, The Bristol MSO, LLC is itself a health care facility or institution and will be subject to Certificate of Need review for any future

applicable projects under Sections 19a-638 and/or 19a-639 of the Connecticut General Statutes. (*March 29, 2006, OHCA CON Determination 05-30497-DTR, page 3*)

8. The BRC provides full-service women's and diagnostic imaging services, including mammography with Computer-Aided Detection ("CAD"), bone densitometry ("DEXA"), ultrasound, computed tomography ("CT"), magnetic resonance imaging ("Open MRI") and general x-rays services. (*October 23, 2007, Letter of Intent, page 6*)
9. The Applicants are requesting approval from OHCA to acquire an open system MRI (Hitachi Altaire 0.7T). (*October 23, 2007, Letter of Intent, page 6*)
10. On July 26, 2000, under CON Determination Report Number 00-Y2, OHCA determined that the Bristol Radiology Center's acquisition of the Picker Outlook 0.23 T open MRI unit would not require Certificate of Need approval from OHCA pursuant to Sections 19a-638 or 19a-639 of the Connecticut General Statutes. (*October 23, 2007, Letter of Intent, page 10*)
11. The Applicants state that the purchase price of the Picker Outlook 0.23T open MRI when it was purchased in 2001 was \$225,000. (*March 17, 2008, Completeness Responses, page 3*)
12. According to the Applicants, the proposal to replace its Picker Outlook 0.23T open MRI unit with a Hitachi Altaire 0.7T open MRI unit is the result of several key factors:
  - The current open MRI unit (Picker Outlook 0.23T) was purchased and installed in 2001 as a used system;
  - The production date of that system was 1997, 4 years old at installation;
  - At nearly 11 years old, the unit is at the end of its useful life;
  - Service calls to repair the system have increased over the past two (2) years and Philips Medical has stated that it will no longer provide service for the unit as of December 2008; and
  - Scan times (ranging from 45-60 minutes) are considerably longer than newer units which serves to limit access and increase back-log.  
(*October 23, 2007, Letter of Intent, page 6*)
13. The Applicants indicated that the Hitachi Altaire 0.7T Open MRI unit is the appropriate choice due to the following factors:
  - The Hitachi Altaire 0.7T Open MRI unit will provide a higher field strength system with far greater technological capabilities than the current unit;
  - This new system will allow the BRC and Bristol Hospital to not only continue to offer open MR imaging to the community, but it will also allow for improved diagnostic capabilities; and
  - The proposed system will offer the claustrophobic patient a broader range of services in an outpatient setting.  
(*October 23, 2007, Letter of Intent, pages 6 & 7*)

14. The Applicants state the following;

- The decision to acquire an open system MRI at the BRC was made by the radiologists from Radiologic Associates, P.C. and from the administration of Bristol Hospital;
- BRC is co-owned by Radiologic Associates, P.C. and the Bristol Hospital;
- All capital equipment decisions are made by both parties;
- It was decided to continue to offer open MRI services in order to maintain access for claustrophobic and/or obese patients. (*March 17, 2008, Completeness Responses, page 4*)

15. The current population served and the target population to be served include the residents of Bristol, Farmington, Unionville, Plainville, Plymouth, Thomaston and Burlington. (*October 23, 2007, Letter of Intent, page 6*)

16. RAPC provides open MR imaging at the BRC and also at the Farmington Imaging Center ("FIC"). RAPC currently does all the interpretation for the Bristol Hospital closed MRI unit and the Farmington Imaging Center open MRI. Current average backlog for MRI service in their primary service area is 1 week. The proposed Open MRI is expected to reduce the backlog by 1-1.5 days and exam time from 45/60 minutes to 30/45 minutes. (*February 19, 2008, Initial CON Submission, pages 4 & 5*)

17. The Applicants state that the optimal capacity for the existing open MRI unit would be 2850 scans annually (12/day Monday-Thursday + 9/day Friday = 57/week x 50 weeks = 2850). The current scanner has experienced significant down days September-November 2007 (9/07 – 11 days, 10/07 – 6 days, 11/07 – 11 days). (*February 19, 2008, Initial CON Submission, page 5*)

18. The following table shows the actual MRI scans performed by RAPC for 2005-2007 and YTD:

**Table 1: Actual MRI scans performed by RAPC for 2005-2007 and YTD**

MRI Site	2005	2006	2007	5/16/08
Bristol Radiology Center	1944	2088	2127	877

(*March 17, 2008, Completeness Responses, page 6*)

19. The Applicants state that the anticipated capacity for the proposed open MRI unit will be 3800 scans annually (16/day Monday-Thursday + 129/day Friday = 76/week x 50 weeks = 3800). (*February 19, 2008, Initial CON Submission, page 5*)

20. The following table shows the projected number of MRI scans for the first three years of service:

**Table 2: Projected number of MRI scans for the first three years of service**

MRI Site	2008 (6 months)	2009	2010	2011
Bristol Radiology Center*	1645	2984	3074	3166

\*Note: Year 2008 = The number of exams for the year, with an anticipated three month downtime for the needed renovations is approximately 1645.  
 Year 2009 = 2984 (7% increase over 2006 number of scans that BRC would have done if machine had not be out of service for 25 days September – December 2007, 2006 actual x 7% = 2234 + 750 new annual orthopedic scans = 2984 scans);  
 Year 2010 = 3074 (3% increase over Year 2008);  
 Year 2011 = 3166 (3% increase over Year 2009).  
 (March 17, 2008, Completeness Responses, page 6)

21. The Applicants state that Litchfield Hills Orthopedic Associates recently opened a new office in Bristol with 3 covering physicians. They anticipate approximately 750 (3/day) additional scans annually from this group. (February 19, 2008, Initial CON Submission, page 5)

22. The following table shows the existing MRI providers in the Applicant’s service area:

**Table 3: Existing MRI providers in the Applicant’s service area**

MRI	Provider	Address	Town	Utilization
<b>Low Field</b>				
.23	Farmington Imaging Center	353 Scott Swamp Road	Farmington	1,279
0.6 Phillips	UCONN Medical Arts Building		Farmington	1,881
.07 Open	Bradley Memorial Hospital	81 Meriden Avenue	Southington	4,012
<b>Total number of Low Field MRIs 3</b>				
<b>High Field</b>				
1.5T	Bristol Hospital	Brewster Road	Bristol	3,252
1.5T	John Dempsey Hospital	263 Farmington Avenue	Farmington	4,253
<b>Total number of High Field MRIs 2</b>				

(March 17, 2008, Completeness Responses, page 4)

23. The Applicants’ current and proposed hours of operation will be as follows: 8:00 am – 8:00 pm Monday – Thursday and 8:00 am – 4:30 pm Friday. (February 19, 2008, Initial CON Submission, page 5)

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

24. The estimated total capital expenditure of the CON proposal is \$1,248,830. The capital expenditures are itemized as follows:

**Table 4: Total Capital Expenditure**

Major Medical Equipment (Purchase)	\$850,000
Construction/Renovation	\$398,830
<b>Total Capital Expenditure</b>	<b>\$1,248,830</b>

*(February 19, 2008, Initial CON Submission, page 9)*

25. The proposed project will be financed entirely through a conventional loan for the amount of \$1,300,000. *(February 19, 2008, Initial CON Submission, page 11)*

26. The Applicant projects incremental gains from operations with implementation of the project of \$188,350, \$64,471 and \$65,863 for FY 2009, FY 2010 and FY 2011, respectively. *(May 27, 2008, Supplemental Information Submitted, page 3)*

27. There is no State Health Plan in existence at this time. *(February 19, 2008, Initial CON Submission, page 4)*

28. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(February 19, 2008, Initial CON Submission, page 4)*

29. The Applicant has improved productivity and contained costs through the application of new technologies. *(February 19, 2008, Initial CON Submission, page 8)*

30. The Applicant's three year projected payer mix for the proposed open MRI unit is as follows:

**Table 5: 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	30.00%	30.00%	30.00%	30.00%
Medicaid	3.00%	3.00%	3.00%	3.00%
Champus and TriCare	0.20%	0.20%	0.20%	0.20%
<b>Total Government</b>	<b>33.20%</b>	<b>33.20%</b>	<b>33.20%</b>	<b>33.20%</b>
Commercial Insurers	65.00%	65.00%	65.00%	65.00%
Uninsured	0.80%	0.80%	0.80%	0.80%
Workers Compensation	1.00%	1.00%	1.00%	1.00%
<b>Total Non-Government</b>	<b>66.80%</b>	<b>66.80%</b>	<b>66.80%</b>	<b>66.80%</b>
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*(February 19, 2008, Initial CON Submission, page 12)*

31. The proposal will not result in changes to the Applicant's current patient/physician mix. *(February 19, 2008, Initial CON Submission, page 8)*

32. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*February 19, 20087, Initial CON Submission, page 7*)
33. The Applicant's rates are sufficient to cover the proposed capital expenditures and operating costs associated with the proposal. (*March 17, 2008, Completeness Responses, page 11*)

## 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.

Radiologic Associates, P.C. (“RAPC”) is a private practice radiology group of seven Bristol-based, board certified radiologists, located at 25 Collins Road, Bristol, Connecticut. In March 1999, Radiologic Associates, P.C. and Bristol Hospital opened the Bristol Radiology Center (“BRC”) as equal partners, located at the same address. The Bristol MSO, LLC is a medical service organization jointly owned by Radiologic Associates, P.C. and Bristol Hospital. Radiologic Associates, P.C. and The Bristol MSO, LLC are requesting approval from OHCA to acquire an open system MRI (Hitachi Altaire 0.7T). Radiologic Associates, P.C. has been providing radiology services to Bristol Hospital for over 30 years.

Bristol Radiology Center provides full-service women’s and diagnostic imaging services, including mammography with Computer-Aided Detection (“CAD”), bone densitometry (“DEXA”), ultrasound, computed tomography (“CT”), magnetic resonance imaging (“Open MRI”) and general x-rays services. Replacing the Picker Outlook 0.23T Open MRI unit with the Hitachi Altaire 0.7T Open MRI unit at the Bristol Radiology Center will allow the Applicants to not only continue to offer open MR imaging to the community, but it will also improve diagnostic capabilities. The Applicants decided to continue to offer open MRI services in order to maintain access for claustrophobic and/or obese patients. There appears to be a need to maintain access to open MRI services in the area to serve the patients requiring open MRI scanning at Bristol Hospital and the Bristol Radiology Center.

The total capital expenditure for the CON proposal is \$1,248,830, financed through a conventional loan. The Applicants financial projections, and volumes upon which they are based, appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is cost effective and is in the best interest of consumers and payers.

## Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Radiologic Associates, P.C. and The Bristol MSO, LLC to acquire the Hitachi Altaire 0.7T Open MRI unit at a total capital expenditure of \$1,248,830, is hereby APPROVED.

1. This authorization shall expire on May 30, 2009. Should the Applicants Open MRI imaging project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved total capital cost of \$1,248,830. In the event that the Applicants learn of potential cost increases or expect that final project costs will exceed those approved, the Applicants shall notify OHCA immediately.
3. The Applicants shall notify OHCA in writing of the initial date of the operation of the open 0.7T MRI scanner by no later than one month after the new unit becomes operational.
4. This authorization requires the removal of the Applicants' existing Picker Outlook 0.23T Open MRI unit for certain disposition, such as sale or salvage, outside of and unrelated to the Applicants' service provider locations. Furthermore, the Applicants will provide evidence to OHCA of the final disposition of its existing open MRI unit by no later than three months after the open 0.7T MRI unit has become operational.

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 May 30, 2008*

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Date

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Cristine A. Vogel  
Commissioner

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