



Office of Health Care Access Certificate of Need Application

Final Decision

Applicants: Saint Mary's Hospital, Naugatuck Valley Radiology Associates, P.C. and Naugatuck Valley MRI, LP

Docket Number: 07-31056-WVR

Project Title: Request to Waive CON Requirements for the Replacement and Upgrade of 1.5 Tesla Signa S2 Equipment

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

Filing Date: January 17, 2008

Hearing: Waived

Decision Date: February 5, 2008

Staff: Diane Duran

Project Description: Saint Mary's Hospital, Naugatuck Valley Radiology Associates, P.C. and Naugatuck Valley MRI, Limited Partnership requests a waiver of Certificate of Need ("CON") requirements for replacement equipment for the purpose of replacing and upgrading of its existing magnetic resonance imaging ("MRI") scanner equipment, at a total capital cost of \$1,000,000.

Nature of Proceedings: On January 17, 2008, the Office of Health Care Access ("OHCA") received the completed waiver of Certificate of Need ("CON") request for replacement equipment from Saint Mary's Hospital, Naugatuck Valley Radiology Associates, P.C. and Naugatuck Valley MRI, Limited Partnership ("Applicants"). The Applicants propose to replace and upgrade its existing MRI scanner equipment, at a total capital cost of \$1,000,000.

OHCA's authority to review and approve, modify or deny the requested waiver of CON requirements for replacement equipment is established by Section 19a-639c of the 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

1. Saint Mary's Hospital ("SMH") is an acute care hospital located at 56 Franklin Street in Waterbury, Connecticut. *(November 5, 2007, CON Waiver Form 2040, page 23)*
2. Naugatuck Valley Radiology Associates, P.C. ("NVRA") is a radiology practice group located at 133 Scoville Street in Waterbury, Connecticut. *(November 5, 2007, CON Waiver Form 2040, page 24)*
3. Naugatuck Valley MRI, Limited Partnership ("NVMRI") is a joint venture entity established between SMH and NVRA. *(November 5, 2007, CON Waiver Form 2040, page 6)*
4. On July 22, 1988, in a the Final Decision under the Docket Number 88-512, SMH received Certificate of Need ("CON") authorization from the Office of Health Care Access ("OHCA") predecessor agency known as Commission on Hospital's and Health Care ("CHHC") to own and operate a MRI scanner at 56 Franklin Street, Waterbury, Connecticut, at a total capital cost of \$2,876,750. *(November 5, 2007, CON Waiver Form 2040, page 3, and July 22, 1988, Commission on Hospital's and Health Care, Final Decision, Docket Number: 88-512, Exhibit 1, pages 55, & 71)*
5. On 1988, SMH indicated that it intended on forming a partnership with NVRA to own and operate the MRI unit after CON approval was granted. *(November 5, 2007, CON Waiver Form 2040, page 3, and July 22, 1988, Commission on Hospital's and Health Care, Final Decision, Docket Number: 88-512, Exhibit 1, page 24)*
6. SMH, NVRA and NVMRI (collectively referred to as "Applicants") are requesting a waiver of CON requirements for the purpose of replacement and upgrade of its existing General Electric 1.5 Tesla Signa S2, Magnetic Resonance Imaging ("MRI") scanner acquired by the Applicants and authorized by the CHHC. *(November 5, 2007, CON Waiver Form 2040, page 3 and July 22, 1988, Commission on Hospital's and Health Care, Final Decision, Docket Number: 88-512)*
7. Pursuant to Section 19a-639c of the Connecticut General Statutes ("C.G.S"), a proposal may be eligible for a waiver of replacement equipment from the CON process when a provider has previously received Certificate of Need authorization from OHCA for the equipment to be replaced and when the cost or value of the replacement equipment will not exceed \$3 million. *(Section 19a-639c, C.G.S.)*
8. NVMRI currently leases approximately 2,400 square feet of space at Saint Mary's Hospital ("SMH") located at 56 Franklin Street in Waterbury, where it operates one MRI scanner. *(November 5, 2007, CON Waiver Form 2040, page 6)*

9. The Applicants plan to acquire and operate a General Electric 1.5 Tesla Signa HDX, MRI scanner as its replacement and upgrade equipment currently located on approximately 2,400 square feet leased space at Saint Mary's Hospital ("SMH").
(November 5, 2007, CON Waiver Form 2040, pages 3, 4 & 6 and Vendor Quotation, page 6)
10. The Applicants state that the existing MRI scanner needs to be replaced and upgraded for the following reasons: *(November 5, 2007, CON Waiver Form 2040, pages 6 and 7)*
 - The scanner is over 15 years old and has exceeded its useful life;
 - The scanner is fully depreciated;
 - Patient throughput is slow and less efficient than the upgraded technology available;
 - Image quality and resolution, while acceptable, is marginal in comparison to the more advanced technology; and
 - Existing unit is incapable of performing the more advanced applications including cardiac scans, parallel imaging, and functional imaging.
11. According to the Applicants the new MRI scanner will enhance the delivery of imaging software and higher gradients to facilitate patient procedures. In addition, the scanner will provide as follows: *(November 5, 2007, CON Waiver Form 2040, page 7)*
 - Enhanced image clarity, quality, and resolution;
 - Reduced procedure time resulting in overall patient comfort;
 - Advanced MRI applications including cardiac, parallel imaging, and functional imaging;
 - Improved efficiency of operation; and
 - Improved productivity through the processor's faster sequencing and multitasking.
12. The total capital cost for the replacement project is \$1,000,000, which consists of the following components: *(November 5, 2007, CON Waiver Form 2040, page 4)*
 - \$846,772 the purchase price of the replacement MRI scanner equipment;
 - \$50,806 other non-construction sales tax of equipment; and
 - \$102,422 for renovation work associated with the installation of the new equipment.
13. The capital cost of \$846,772, for the replacement MRI scanner equipment is below the \$3 million threshold used to determine whether a request is eligible to receive a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. *(November 5, 2007, CON Waiver Form 2040, page 4)*
14. The Applicants will fund the proposal through its equity and conventional loan.
(November 5, 2007, CON Waiver Form 2040, page 4)
15. The Applicants intend to begin operating the new MRI scanner for the project on April 1, 2008 after CON approval. *(November 5, 2007, CON Waiver Form 2040, page 2)*

16. The replacement MRI scanner will serve the Applicants' existing patient population and with no anticipated changes in the payer mix due to the proposal. (*November 5, 2007, CON Waiver Form 2040, page 6*)

Rationale

Saint Mary's Hospital, Naugatuck Valley Radiology Associates, P.C. and Naugatuck Valley MRI, Limited Partnership ("Applicants") is requesting a waiver of Certificate of Need ("CON") requirements for replacement equipment, pursuant to Section 19a-639c, of the C.G.S. The Applicants are seeking to replace and upgrade an existing 1.5 Tesla Magnetic Resonance Imaging ("MRI") scanner and to undertake renovations to accommodate the new equipment.

The Applicants' existing MRI scanner needs to be replaced as the existing system is 15 years old and has exceeded its useful life. Additionally, the current MRI scanner is fully depreciated and patient throughput is slow and less efficient than the upgraded technology available. The Applicants indicate that the proposed MRI scanner will enhance the delivery of image clarity, quality, and resolution and provide new advanced MRI applications including cardiac, parallel imaging, and functional imaging. The replacement equipment will also improve treatment efficiency of operation.

The capital cost for the proposed replacement MRI scanner equipment is \$846,772, which is below the \$3 million threshold for determining eligibility for a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. The Applicants will fund the replacement project through its equity and a conventional loan.

Order

Based on the foregoing Findings and Rationale, OHCA has determined that Saint Mary's Hospital, Naugatuck Valley Radiology Associates, P.C. and Naugatuck Valley MRI, Limited Partnership request for a waiver of CON requirements for replacement equipment in order to replace and upgrade an existing 1.5T MRI scanner operated by NVMRI at Saint Mary's Hospital, at a total capital cost of \$1,000,000, meets the requirements for waiver of the CON process pursuant to Section 19a-639c, C.G.S. and is hereby Granted subject to the following conditions.

1. This authorization shall expire on August 5, 2008. Should the Applicants' replacement 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 capital cost of \$1,000,000. 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.
3. With respect to the acquisition of the new MRI scanner, the Applicants shall notify OHCA regarding the following information in writing by no later than two months after the system becomes operational:
 - a) The name of the system manufacturer;
 - b) The model name and description of the system; and
 - c) The initial date of the operation of the system.
4. This authorization requires the removal of the Applicants' existing 1.5T MRI scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicants' Connecticut service locations. Furthermore, the Applicants shall provide evidence to OHCA of the disposition of the existing 1.5T MRI scanner to be replaced by no later than six months after the replacement system has become operational.
5. Should the Applicants propose any change in the magnetic resonance imaging scanner service, the Applicants shall file with OHCA a Certificate of Need Determination Request regarding the proposed service change.

Should the Applicants 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 February 5, 2008

Date

Cristine A. Vogel
Commissioner

**St. Mary's Hospital, Naugatuck Valley Radiology Associates, P.C.
& Naugatuck Valley MRI, LP**

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