



Office Of Health Care Access Certificate of Need Application

Notice of Denial

Applicants: Greenwich Radiology Partners, LLC and
Greenwich Radiology Group, PC

Docket Number: 08-31162-CON

Project Title: Acquisition of a 16-Slice Computed Tomography
Scanner by Greenwich Radiology Partners, LLC for
Operation by Greenwich Radiology Group, PC,
Replacing an Existing 2-Slice CT Scanner in Greenwich

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

Filing Date: September 26, 2008

Decision Date: December 22, 2008

Default Date: December 25, 2008

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Project Description: Greenwich Radiology Partners, LLC, proposes to acquire a 16-slice computed tomography scanner (“CT”) for operation by Greenwich Radiology Group, PC (“GRG”), replacing an existing 2-slice CT scanner at GRG’s office, located at 49 Lake Avenue, in Greenwich, Connecticut, at an estimated total capital cost of \$446,618.

Nature of Proceedings: On September 26, 2008, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Greenwich Radiology Partners, LLC, and Greenwich Radiology Group, PC, (collectively known as the “Applicants”) seeking authorization to acquire and operate a 16-slice computed tomography (“CT”) scanner that will be operated at the Greenwich Radiology Group’s office, located at 49 Lake Avenue in Greenwich, Connecticut. The estimated total capital cost of the proposal is \$446,618.

Pursuant to Section 19a-639, Connecticut General Statutes (“C.G.S.”), a notice to the public concerning OHCA’s receipt of the Applicants’ Letter of Intent was published in

The Greenwich Times on May 23, 2008. Pursuant to Section 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people had until October 17, 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 October 17, 2008.

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 Applicants' 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. Greenwich Radiology Group, P.C. ("GRG") is a professional corporation, which serves the radiological needs of the Greenwich area. The group provides professional radiologic services for Greenwich Hospital. (*July 25, 2008, Initial CON Submission, page 6 and September 26, 2008, Completeness Responses, page 242*)
2. The nine board certified radiologists that constitute GRG provide general radiology, bone density, computed tomography ("CT") and ultrasound services at their single office, located at 49 Lake Avenue in Greenwich, Connecticut. (*July 25, 2008, Initial CON Submission, page 6 and September 26, 2008, Completeness Responses, page 243*)
3. GRG leases its office space and all its contents, including a 2-slice CT scanner from Greenwich Radiology Partners, LLC ("GRP"). (*July 25, 2008, Initial CON Submission, page 6*)
4. GRP was formed in June 2004 for the purpose of investing in, acquiring, managing and leasing property. The stockholders of GRG are also the members of GRP. (*September 26, 2008, Completeness Responses, page 242*)
5. GRP leases medical and imaging equipment, business equipment and office space to GRG. (*September 26, 2008, Completeness Responses, page 242*)
6. GRP proposes to lease a 16-slice CT scanner for operation by GRG at its Lake Avenue office, replacing the existing 2-slice CT scanner. GRG and GRP are collectively identified as the "Applicants" to this Certificate of Need ("CON") proposal. (*July 25, 2008, Initial CON Submission, page 6*)
7. GRP will lease the proposed 16-slice CT unit, a Siemens Somatom Emotion CT scanner from the vendor, and will, in turn, lease the unit on a full-time basis to GRG through its tenant lease arrangement. (*July 25, 2008, Initial CON Submission, page 6*)

8. The existing 2-slice CT unit, a Siemens Emotion Duo CT scanner, was acquired at a total project cost of \$296,465 by GRP. The scanner became operational in June 2005 at the GRG office. *(July 25, 2008, Initial CON Submission, page 6 and September 26, 2008, Completeness Responses, pages 243 and 252)*
9. The Applicants indicate that they did not seek a CON determination regarding the necessity to obtain CON authorization from the Office of Health Care Access (“OHCA”) prior to acquiring the scanner, as the purchase price of the 2-slice CT scanner was below the CON threshold of \$400,000 for imaging equipment. *(July 25, 2008, Initial CON Submission, page 6 and September 26, 2008, Completeness Responses, pages 252)*
10. The Applicants indicate that a formal need assessment was not conducted with regard to the proposed acquisition and operation of the new 16-slice CT scanner. *(July 25, 2008, Initial CON Submission, page 14)*
11. According to the Applicants, the proposal is the result of the following key factors:
 - The existing CT scanner is entering the end of its useful lifecycle; and
 - The existing scanner can offer a minimum slice thickness of one millimeter at a time when certain scan studies are best performed using slices less than one millimeter. *(July 25, 2008, Initial CON Submission, pages 7, 10 and 11)*
12. The Applicants indicated that the proposed 16-slice CT scanner is the appropriate choice due to the following factors:
 - Meets the minimum capacity scanner for meeting current practice guidelines;
 - Allows for a broader range of CT exam studies; and
 - Provides a faster imaging scanner with lower and safer radiation dosing mechanisms. *(July 25, 2008, Initial CON Submission, pages 7, 10, 11 and 15)*
13. The Applicants indicate the following regarding the existing 2-slice CT scanner service:
 - The current Siemens scanner is in good working order;
 - No notification has been received from Siemens indicating that it will no longer be supporting its Emotion Duo CT scanning system; and
 - American College of Radiology (“ACR”) accreditation for GRG’s CT service is effective until 2011. *(September 26, 2008, Completeness Responses, pages 243, 245 and 246)*
14. The current population served and the target populations to be served include the residents of the following Connecticut and New York towns:
 - Connecticut: Primary service area – Greenwich and Stamford
Secondary service area – Darien, New Canaan, Norwalk, Westport and Wilton
 - New York: Primary service area – Port Chester
Secondary service area – Rye *(July 25, 2008, Initial CON Submission, page 8)*

15. The actual number of CT scans performed by GRG for fiscal years (“FYs”) 2006 through 2008 is provided in the following table:

Table 1: Actual Number of CT Scans Performed by GRG

CT Scanner	2006	2007	2008
2-slice Unit	2,528*	3,288	3,032**

Note: * Represents the first full year the scanner was operational.

** Per the Applicant the decrease in scan volume is attributable to the limitations of the current equipment. (July 25, 2008, Initial CON Submission, pages 10, 11 and 12)

16. The projected number of CT scans to be performed by GRG for FYs 2009 through 2011 is provided in the following table:

Table 2: Three Year Projected Number of CT Scans

CT Site	2009	2010	2011
16-slice Unit	3,323	3,490	3,664

*Note: FY 2009 = 3,323 scans - assumes 291 additional scans attributable to anticipated increase in orthopedic referrals.

FYs 2010 and 2011 - assumes an annual increase of 5% for each year, which the Applicants indicate is consistent with actual annual overall growth of the GRG practice.

(July 25, 2008, Initial CON Submission, pages 10, 11 and 12)

17. The Applicants’ calculations relating to the percentage operating capacity for the existing and proposed CT scanners are presented in the following table:

Table 3: Current and Proposed Percentage Operating Capacity

Capacity Calculation	Existing Scanner	Proposed Scanner
Average # hours/week scanner operates	38.79	38.79
Weeks/year scanner operates	52	52
Targeted utilization as % of capacity	70%	70%
Annual total capacity for exams in hours	2017.1	2017.1
Average exam time in hours	.33	.20
Annual capacity - # exams	6,112	10,085
# Exams - actual & projected	3,288	3,323
Percentage Operating Capacity	54%	33%

(September 26, 2008, Completeness Responses, page 250)

18. The following table illustrates the existing CT service providers in GRG’s service area:

Table 4: Existing CT Providers in the GRG’s Service Area

CT Scanner	Provider	Street	Town	Utilization
64-slice	Greenwich Hospital	5 Perryridge Road	Greenwich	Unknown
PET/8-slice CT	Greenwich Hospital	5 Perryridge Road	Greenwich	Unknown
8-slice	Greenwich Hospital	5 Perryridge Road	Greenwich	Unknown
4-slice	Advanced Radiology Consultants	1315 Washington Blvd.	Stamford	Unknown
64-slice	Stamford Hospital	30 Shelburne Road	Stamford	Unknown
16-slice	Tully Health Center	32 Strawberry Hill Court	Stamford	Unknown
4-slice	Darien Imaging Center	6 Thorndal Circle	Darien	Unknown
CT unit	Norwalk Hospital	34 Maple Street	Norwalk	Unknown
CT unit	Norwalk Radiology & Mammography Center	148 East Main Street	Norwalk	Unknown

(July 25, 2008, Initial CON Submission, page 13)

19. GRG's current and proposed hours of operation will be as follows: 8:00 am – 5:30 pm, Monday – Friday. CT services are offered throughout the practice's office hours. *(July 25, 2008, Initial CON Submission, page 10)*
20. GRG follows ACR appropriateness and practice guidelines in its daily practice. The practice will maintain accreditation from ACR for the proposed CT scanner. *(July 25, 2008, Initial CON Submission, page 17)*

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

21. The estimated total capital cost of the CON proposal is \$446,618. The costs consist of \$10,000 in renovation work and \$436,618 representing the fair market value of the leased CT scanning equipment. *(July 25, 2008, Initial CON Submission, page 20)*
22. The proposed CT scanner will be obtained by GRP through an operating lease at no interest expense and will be subsequently leased to GRG. The funding source of the renovation work will be through a cash contribution from GRP. *(July 25, 2008, Initial CON Submission, page 22)*
23. The Applicants estimate a 4 to 6 week delivery target date of the proposed 16-slice CT scanner after placement of the order. The existing 2-slice CT scanner will be surrendered to the equipment vendor, pursuant to the purchase agreement between GRP and Siemens. *(July 25, 2008, Initial CON Submission, page 22)*
24. The Applicants project the following with respect to gain/(loss) from operations attributable to the proposal:
 - GRG will have incremental gains from operations with implementation of the project of \$15,493, \$32,383 and \$50,452 for FYs 2009 through 2011, respectively; and
 - GRP will have no incremental gain from operations with implementation of the project for FYs 2009 through 2011, respectively *(July 25, 2008, Initial CON Submission, Financial Attachment I, page 28 and September 26, 2008, Completeness Responses, page 253)*
25. There is no State Health Plan in existence at this time. *(July 25, 2008, Initial CON Submission, page 6)*
26. The Applicants have adduced evidence that the proposal is consistent with their long-range plans. *(July 25, 2008, Initial CON Submission, page 6)*

27. The Applicants have improved productivity and contained costs through results achieved initiating reengineering activities and applications of new technologies. *(July 25, 2008, Initial CON Submission, page 18)*

28. GRG's current and three year projected payer mix for CT services are as follows:

Table 5: Current and Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare	30.93%	31.44%	31.44%	31.44%
Medicaid	.01%	.01%	.01%	.01%
Total Government	30.94%	31.45%	31.45%	31.45%
Commercial Insurers	66.33%	65.82%	65.82%	65.82%
Uninsured	2.48%	2.48%	2.48%	2.48%
Workers Compensation	.24%	.24%	.24%	.24%
Total Non-Government	69.06%	68.55%	68.55%	68.55%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

(July 25, 2008, Initial CON Submission, page 25)

29. The proposal will not result in any change to the GRG's teaching or research responsibilities. *(July 25, 2008, Initial CON Submission, pages 18 and 19)*

30. The proposal will not result in changes to the GRG's current patient/physician mix. *(July 25, 2008, Initial CON Submission, page 19)*

31. The Applicants possess sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(July 25, 2008, Initial CON Submission, page 17 and Exhibit G, pages 113 through 152)*

32. The proposed rates are sufficient to cover the capital expenditures and operating costs associated with the proposal. *(July 25, 2008, Initial CON Submission, page 17 and Exhibit R, page 233 through 241)*

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.

Greenwich Radiology Group, PC, (“GRG”) is a private practice group offering general radiology, bone density, computed tomography (“CT”) and ultrasound services at its office located at 49 Lake Avenue in Greenwich. The group provides professional radiologic services for Greenwich Hospital. Greenwich Radiology Partners, LLC (“GRP”) is an entity formed for the purpose of investing in, acquiring, managing and leasing property to GRG. GRP proposes to lease a 16-slice CT scanner for operation by GRG, replacing an existing 2-slice CT scanner at GRG’s office. GRG and GRP are collectively identified as the “Applicants” to this Certificate of Need (“CON”) proposal. As the total capital cost to acquire the 2-slice CT scanner in 2005 was below the \$400,000 CON capital threshold at the time for CT imaging scanners, the Applicants did not receive either a CON Determination Report or CON authorization from OHCA in its acquisition and operation of the 2-slice Siemens Emotion Duo CT scanner.

The Applicants assert that the acquisition of the proposed 16-slice Siemens Somatom Emotion CT scanner is needed due to the 2-slice CT scanner nearing the end of its useful life and based on the technological advancements found in current models of CT scanners. At a time when the annual number of CT scans performed by GRG has been declining over the last two fiscal years, from 3,288 to 3,032 CT scans, OHCA questions the Applicants’ ability to achieve projected CT volume increases of 5% in each of the two fiscal years between FYs 2009 and 2011. This is especially true given the number of existing CT scanners in the Applicants’ service area. Based on the above, the Office of Health Care Access concludes that the Applicants have not provided sufficient evidence to justify the need for replacing the existing 2-slice Siemens Emotion Duo CT scanner.

Since OHCA cannot conclude definitively that need exists for the replacement of the 2-slice CT scanner with the proposed 16-slice CT scanner, OHCA is unable to evaluate the financial feasibility of the proposal.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Greenwich Radiology Partners, LLC (“GRP”), and Greenwich Radiology Group, PC (“GRG”), for the acquisition by GRP of a 16-slice computed tomography (“CT”) scanner for operation by GRG, replacing an existing 2-slice CT scanner at GRG’s 49 Lake Avenue office in Greenwich, Connecticut, at a total capital cost of \$446,618, is hereby **DENIED**.

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 December 22, 2008

Date

Cristine A. Vogel
Commissioner

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