



**STATE OF CONNECTICUT**  
DEPARTMENT OF PUBLIC HEALTH  
*Office of Health Care Access*

May 2, 2011

**IN THE MATTER OF:**

An Application for a Certificate of Need filed  
Pursuant to Section 19a-639, C.G.S. by:

Notice of Final Decision  
Office of Health Care Access  
Docket Number: 11-31682-CON

**Lawrence & Memorial Hospital**

**Acquisition and Operation of a Third MRI  
Scanner in Waterford, CT**

To: Crista Durand  
Strategic Planning, Marketing, Business Development  
Lawrence & Memorial Hospital  
365 Montauk Avenue  
New London, CT 06320

Dear Ms. Durand:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-639, C.G.S. On May 2, 2011, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

A handwritten signature in black ink, appearing to read "Kimberly R. Martone", written over a horizontal line.

Kimberly R. Martone  
Director of Operations

Enclosure  
KRM:swl



**Department of Public Health  
Office of Health Care Access  
Certificate of Need Application**

**Final Decision**

**Applicant:** Lawrence & Memorial Hospital

**Docket Number:** 11-31682-CON

**Project Title:** Acquisition and Operation of a  
Third MRI Scanner in Waterford, CT

**Project Description:** Lawrence & Memorial Hospital (“Hospital”) proposes to acquire and operate a third magnetic resonance imaging (“MRI”) scanner at L&M Diagnostic Imaging (“LMDI”) in Waterford, Connecticut.

**Procedural History:** On March 31, 2011, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Hospital for the above-referenced project. The Hospital published notice of its intent to file the CON Application in *The Day*, on January 11, 12, and 13, 2011. OHCA received no responses from the public concerning the Hospital’s proposal and no hearing requests were received from the public per General Statutes § 19a-639a (e).

**Findings of Fact**

1. The Hospital is an acute care not-for-profit hospital located at 365 Montauk Avenue in New London, Connecticut. Ex. A, p. 1.
2. The Hospital currently operates two 1.5 tesla-strength MRI scanners; one located at the main campus in New London and the other located at the Pequot Health Center (“PHC”) in Groton. Ex. A, p. 9.
3. The Hospital proposes to acquire and operate a third MRI scanner, a 3.0 tesla-strength Siemens Magnetom Verio MRI scanner. Ex. A, p. 9.

4. The proposed MRI scanner will be installed at LMDI's first floor office, Suite 102, within the Crossroads medical office building located at 196 Parkway South in Waterford, Connecticut. Ex. A, p. 9 & Ex. C, p. 174.
5. The Crossroads medical building also houses a large orthopedic practice, as well as private practices in cardiology, oncology, and general surgery. Ex. A, p. 25.
6. LMDI currently offers computed tomography, ultrasound, general radiology, digital mammography and bone densitometry services. Ex. A, p. 24.
7. The Crossroads medical building has sufficient space to accommodate the installation of an MRI scanner. Ex. A, p. 24.
8. The population to be served consists of the Hospital's existing patients residing in the towns of East Lyme, Groton, Ledyard, Montville, New London, Stonington, Old Lyme and Waterford. Ex. C, p. 174.
9. Currently, one-third of the Hospital's outpatient MRI volume is generated from patients residing in the towns of Old Lyme, East Lyme, East Lyme, Montville and Waterford. Ex. A, p. 31.
10. This proposal will provide additional capacity for the increasing demand of MRI services in the Hospital's primary service area ("PSA"); will reduce the scheduled backlogs and testing delays for inpatient, emergency and outpatient patients; and will reduce the need to expand the hours of operation of the Hospital's existing MRI scanners. Ex. A, pp. 13-14.
11. The Hospital has experienced increasing MRI utilization as illustrated in the following table:

**Table 1: Actual Annual MRI Scan Volume by Service Site**

Unit #	Service Locations	FY 2008	FY 2009	FY 2010
1	Main Campus	5,702	5,927	6,285
2	PHC	4,577	4,936	4,816
	<b>Total Scans Performed</b>	10,279	10,863	11,101

Ex. A, p. 28.

12. The Hospital has averaged an annual increase of approximately 4.0% in the number of MRI scans performed between fiscal years ("FYs") 2008 and 2010. Ex. A, p. 28.

13. The Hospital has experienced an overall increase of approximately 25% in the total number of MRI scans performed between FYs 2006 and 2010, as presented in the following table:

**Table 2: Hospital's MRI Growth between FYs 2006 and 2010**

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Change Between FYs 2006 & 2010	
						Scan #	Scan %
<b>Total Number of MRI Scans</b>	8,864	9,986	10,279	10,863	11,101	2,237	25.2%

Ex. A, p. 20.

14. Based on their current operating schedules, the main campus scanner is operating at 87% capacity, while the PHC scanner is operating at 74% capacity. Ex. A, p. 16.
15. The Hospital has experienced backlogs and/or wait times for MRI appointments for all scan types at both service sites. Additionally, there have been issues with timely access to MRI services for Hospital inpatients and emergency department patients. Ex. A, p. 20.
16. The main campus MRI service typically operates 104.5 hours per week, although it occasionally operates beyond this number of hours when needed. During peak times, the service may operate until 11:00 p.m. for inpatients and emergency department patients who cannot gain access to the service during earlier workday hours. Ex. A, p. 20
17. The Hospital projects the population in its PSA to grow as follows:

**Table 4: PSA Population Projections**

PSA Towns	Population			Percentage Increases	
	2000	2009	2014	2000-2009	2009-2014
East Lyme	18,107	19,164	19,761	5.8%	3.1%
Groton	43,741	47,204	47,202	7.9%	3.5%
Ledyard	14,643	14,885	14,885	1.7%	1.0%
Lyme/Old Lyme	9,422	9,305	9,305	-1.2%	-0.5%
Montville	18,314	19,655	19,655	7.3%	3.4%
New London	25,687	25,665	25,665	-0.4%	0.0%
North Stonington	4,993	5,172	5,172	3.6%	1.9%
Stonington	14,118	14,174	14,174	0.4%	0.3%
Waterford	19,137	19,203	19,203	0.3%	0.5%
<b>PSA Population</b>	<b>168,162</b>	<b>174,427</b>	<b>177,682</b>	<b>3.7%</b>	<b>1.9%</b>

Ex. A, p. 19 & Ex. C, p. 202.

18. The Hospital expects the portion of its PSA residents age 65 and above to increase from 13.9% to 15.5% between 2009 and 2014. A comparison between the Hospital's PSA and the state, as a whole, is illustrated in the following table:

**Table 3: Comparison-Hospital PSA and Connecticut Population Age 65 and Above**

	2009	2014
Hospital Primary Service Area	24,331 representing 13.9%	26,995 representing 15.2%
Connecticut	487,531 representing 13.9%	550,098 representing 15.4%

Ex. A, p. 17.

19. Based on several factors including the aging of the population, advancements in imaging capabilities (e.g. 3.0 T) and new clinical applications for testing (e.g. breast MRI), MRI use rates in the state of Connecticut are expected to increase by 4% annually, from 113 scans/1,000 population in 2009 to 138 scans/1,000 population in 2014. Ex. A, p. 17.
20. The MRI use rates in the Hospital's PSA equate to a total of 19,710 market-area scans in 2009, increasing to 24,520 scans by 2014. Ex. A, p. 17.
21. The proposed 3.0 tesla-strength MRI scanner will provide Hospital patients access to improved diagnoses, particularly for anatomic head/brain studies, advanced neurological imaging, and orthopedic/musculoskeletal examinations. Ex. A, p. 22.
22. Compared to the Hospital's existing 1.5 tesla-strength MRI scanners, the proposed 3.0 tesla-strength MRI scanner allows for faster image acquisition times and higher resolution. Additionally, the proposed scanner allows for visualization of smaller structures and provides for greater sensitivity. Ex. A, p. 22.
23. The only other MRI service provider within the Hospital's PSA is located in Groton, Connecticut. Open MRI of Groton operates a low-field open MRI scanner. Ex. A, p. 26.
24. The closest providers offering 3.0 tesla-strength MRI services to residents living within the Hospital's PSA are located in Hartford and New Haven. Ex. A, p. 10.
25. As 3.0 tesla-strength MRI technology is not currently available to the residents living within the Hospital's PSA, the proposed scanner will not result in unnecessary duplication of existing or approved health care services. Ex. A, p. 27.

26. The Hospital projects the following utilization for its MRI service by existing and proposed service locations:

**Table 5: Projected Annual MRI Scan Volume by Service Site:**

Unit #	Service Location	FY 2011*	FY 2012	FY 2013	FY 2014	FY 2015
1	Main Campus	6,472*	6,292 <i>i</i>	6,027 <i>i</i>	5,725 <i>i</i>	5,395 <i>i</i>
2	PHC	5,220*	4,834	4,904	4,976	5,044
3	LMDI in Waterford - <i>New</i>	0	699	1,399	2,191	3,052
	<b>Total Combined</b>	11,692*	11,795	12,330	12,892	13,491

*Notes:*

- \* FY 2011 MRI scan volumes have been annualized.
- i) The decreasing number of main campus Hospital scans is a result of a portion of the Hospital's outpatient MRI service volume being sent to the proposed MRI service at LMDI offices in Waterford.
- ii) The Hospital based the projected MRI scan volumes on the historical volumes it has experienced at its main campus and at its PHC, as well as the expected population growth in its PSA.

Ex. A, p. 28.

27. The Hospital is projecting an average annual growth of approximately 4.4% for FYs 2012-2015, the first three full operating years of proposal. Ex. A, p. 28.
28. Currently, the Hospital's two MRI scanners are operating seven days a week and are available for procedures up to 15.5 hours per day. Ex. A, p. 15.
29. Without the new MRI, the two existing Hospital MRIs would need to operate at over 85% utilization to accommodate expected volume increased from market growth, market share increases, and increases in inpatient and emergency department-related MRI volumes. Ex. A, p. 16.
30. The operating schedule of the proposed MRI scanner is as follows: Monday through Thursday from 7:30 a.m. to 6:00 p.m.; Friday from 7:30 a.m. to 4:30 p.m., and Saturday from 7:30 a.m. to 2:30 p.m. Ex. A, p. 10.
31. The Hospital's current MRI service is accredited by the American College of Radiology. Additionally, the Hospital will seek accreditation for the proposed MRI scanner. Ex. A, p. 10.
32. The proposal's total capital expenditure is itemized as follows:

**Table 6: Project Total Capital Expenditure**

Imaging Equipment (3.0 T MRI Scanner)	\$2,525,210
Medical Equipment Purchase	\$25,000
Non-Medical Equipment	\$100,000
Construction/Renovation	\$600,000
<b>Project Total Capital Expenditure</b>	<b>\$3,250,210</b>

Ex. A, p. 37.

33. The proposal's total capital expenditure will be funded through Hospital equity. Ex. A, p. 37.

34. The Hospital projects the following incremental revenues and expenditures with the proposed project:

**Table 7: Projected Incremental Revenues and Expenditures**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Revenues from Operations</b>	\$572,550	\$1,013,925	\$1,477,575	\$1,971,751
<b>Total Operation Expense</b>	\$399,106	\$973,970	\$1,077,668	\$1,182,171
<b>Incremental Gain from Operations</b>	<b>\$173,444</b>	<b>\$39,955</b>	<b>\$399,907</b>	<b>\$789,580</b>

Ex. C, p. 177 & 178.

35. The Hospital projects the following overall revenues and expenditures with the proposed project:

**Table 8: Projected Overall Revenues and Expenditures**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Revenues from Operations</b>	\$321,428,424	\$321,869,799	\$322,333,449	\$322,827,625
<b>Total Operation Expense</b>	\$299,635,102	\$300,209,966	\$300,313,664	\$300,418,166
<b>Overall Gain from Operations</b>	<b>\$21,793,322</b>	<b>\$21,659,833</b>	<b>\$22,019,785</b>	<b>\$22,409,458</b>

Ex. C, p. 177 & 178.

36. The Hospital reported \$21,619,878 income from operations and \$137,908,558 in unrestricted net assets or equity for FY 2010. OHCA, FY 2010, 12-Month Actual Filing.
37. The Hospital's current and projected MRI payer mix is presented in the following table. The Hospital anticipates that there will be no change to the current payer mix within the first three years of operating the third MRI scanner:

**Table 9: Hospital's Current and Projected MRI Service Payer Mix**

<b>Payer</b>	<b>Current</b>	<b>Projected</b>
Medicare	25.6%	25.6%
Medicaid	12.7%	12.7%
CHAMPUS & TriCare	9.6%	9.6%
<b>Total Government</b>	<b>47.9%</b>	<b>47.9%</b>
Commercial Insurers	49.2%	49.2%
Uninsured	0.7%	0.7%
Workers Compensation	2.2%	2.2%
<b>Total Non-Government</b>	<b>52.1%</b>	<b>52.1%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>

Ex. A, p. 39.

38. The Hospital has been experiencing scheduling backlogs as well as delays in scanning for inpatients and emergency department patients as a result of congestion on its MRI units. Scanning delays can hinder diagnosis and delay treatment and negatively impact health status. Additionally, scanning delays may result in unnecessary lengths of stay for inpatients and emergency department patients. Ex. A., p. 38.
39. The proposal will allow the Hospital to provide more timely access to MRI services for the residents of its PSA, which will reduce delays in diagnosis and treatment particularly for inpatients and emergency department patients. By providing timely access to

imaging services, the proposal will have a positive impact on the financial strength of the health care system. Ex. A, p. 38.

## Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in General Statutes § 19a-639(a) and the Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008); *Swiller v. Commissioner of Public Health*, No. CV 95-0705601 (Sup. Court, J.D. Hartford/New Britain at Hartford, October 10, 1995); *Bridgeport Ambulance Serv. v. Connecticut Dept. of Health Serv.*, No. CV 88-0349673-S (Sup. Court, J.D. Hartford/New Britain at Hartford, July 6, 1989); *Steadman v. SEC*, 450 U.S. 91, 101 S.Ct. 999, *reh'g den.*, 451 U.S. 933 (1981); *Bender v. Clark*, 744 F.2d 1424 (10th Cir. 1984); *Sea Island Broadcasting Corp. v. FCC*, 627 F.2d 240, 243 (D.C. Cir. 1980).

The Hospital proposes to acquire a third MRI scanner, a 3.0 tesla-strength Siemens Magnetom Verio scanner, to be operated at LMDI in Waterford. FF3&4. The Hospital currently operates two 1.5 tesla-strength MRI scanners, one on its main campus in New London and the other at its PHC in Groton. FF2.

LMDI currently offers computed tomography, ultrasound, general radiology, digital mammography and bone densitometry services. FF6. The medical office building, which houses the LMDI office, also contains several private physician practices covering such specialties as orthopedics, cardiology, oncology and general surgery. FF5. LMDI also has sufficient space for the scanner and approximately one-third of the Hospital's outpatient volume is generated from towns located in the western region of its PSA. FF7-9. Additionally, as there is currently no 3.0 tesla-strength MRI scanner available in the Hospital's PSA, the proposed scanner will provide for advancement of MRI technology in the Hospital's PSA, which will lead to improved patient diagnoses, particularly in the areas of anatomic head/brain studies, neurological imaging and orthopedic or musculoskeletal examinations. FF20-21. Accordingly, OHCA finds that the acquisition of the 3.0 tesla-strength MRI scanner will positively impact the quality and accessibility of health care delivery for patients in the Hospital's service area.

The Hospital has experienced an average annual increase of 4% in the number of MRI scans between FYs 2008-2010 and overall growth in its MRI volume of 25% between FYs 2006-2010. FF10-12. Further, based upon the current hours of operation, the Hospital's existing MRI scanners are operating at 87% (main campus) and 74% (PHC) capacity. FF14. The Hospital projects that its MRI annual utilization to continue to grow at approximately 4.4% per year. FF27. These projections are reasonable as they are based upon the Hospital's historical MRI utilization as well as other factors such as aging of the population, advancement in imaging capabilities and new clinical applications. FF 11, 17-19. Therefore, OHCA finds that the Hospital has demonstrated a need for a third MRI scanner in its service area based upon

historical utilization of its existing MRI scanners as well as reasonable projections with respect to increases in future demand for MRI scans within the Hospital's service area.

The total capital expenditure associated with the proposal is \$3,250,210. FF32. There will be incremental gains from operations associated with the proposal for the first three full fiscal years of operation. FF34. The Hospital, which experienced income from operations of over \$21 million in FY 2010, possesses sufficient unrestricted net assets or equity to cover the proposal's capital expenditure. FF 33 & 36. The proposal will allow the Hospital to provide more timely access to MRI services for the residents of its PSA, which will reduce delays in diagnosis and treatment particularly for inpatients and emergency department patients. By providing timely access to imaging services, the proposal will have a positive impact on the financial strength of the health care system.

## Order

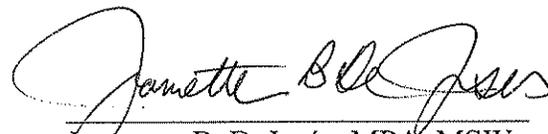
Based upon the foregoing Findings and Discussion, the Certificate of Need application of Lawrence & Memorial Hospital for the acquisition and operation of a third magnetic resonance imaging scanner to be located at L&M Diagnostics Imaging in Waterford at a total capital expenditure of \$3,250,210 is hereby **approved**.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the  
Department of Public Health  
Office of Health Care Access

Date

5/2/2011

  
Jeannette B. DeJesus, MPA, MSW  
Deputy Commissioner, OHCA

JBD:MAD:swl

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STATE OF CONNECTICUT  
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FAX SHEET

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Comments: Final Decision for DR: 11-31682 enclosed.

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