STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Office of Health Care Access

October 26, 2010

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: 10-31578-CON
St. Vincent's Medical Center	**Acqusition of a Computed Tomography Scanner and a Magentic Resonance Imaging Scanner**

To: Susan Davis
President and Chief Executive Officer
St. Vincent's Medical Center
2800 Main Street
Bridgeport, CT 06606

Dear Ms. Davis:

In accordance with the Connecticut General Statutes Section 4-179, the Proposed Final Decision dated October 18, 2010 by Hearing Officer Melanie A. Dillon is hereby adopted as the final decision of the Deputy Commissioner of the Office of Health Care Access, Department of Public Health in this matter. A copy of the Proposed Final Decision is attached hereto and incorporated herein.

Sincerely,

Kimberly R. Martone,
Director of Operations

KRM: swl

cc: Melanie A. Dillon, Hearing Officer, OHCA/DPH

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STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Office of Health Care Access

In Re: **St. Vincent's Medical Center**
Docket No. 10-31578-CON

FINAL DECISION

On October 18, 2010 a Proposed Final Decision was issued in the above matter pursuant to Section 4-179 of the Connecticut General Statutes. On October 25, 2010, St. Vincent's Medical Center waived the right to file exceptions and to present briefs and oral argument.

In accordance with Connecticut General Statutes Section 4-179, the attached Proposed Final Decision dated October 18, 2010 by Hearing Officer Melanie A. Dillon is hereby adopted as the final decision of the Deputy Commissioner of the Department of Public Health in this matter. A copy of the Proposed Final Decision is attached hereto and incorporated herein.

WHEREFORE, it is the final decision of the Deputy Commissioner that the application of St. Vincent's Medical Center for the acquisition of a Computed Tomography Scanner is hereby approved and the acquisition of a Magnetic Resonance Imaging Scanner is hereby denied.

10-26-10
Date

Norma D. Gyle, R.N., Ph.D.
Deputy Commissioner

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Office of Health Care Access
Certificate of Need Application

Proposed Final Decision

Applicant: **St. Vincent's Medical Center**

Docket Number: **10-31578-CON**

Project Title: **Acquisition of Computed Tomography Scanner and Magnetic Resonance Imaging Scanner in Trumbull**

Project Description: St. Vincent's Medical Center ("SVMC") is proposing to acquire a Computed Tomography ("CT") scanner and a Magnetic Resonance Imaging ("MRI") scanner, currently owned and operated by Fairfield County Imaging, LLC ("FCI") in their Trumbull office with a fair market value of $180,000.

Procedural History: On June 28, 2010, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from the Applicant for the above-referenced project. A notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published on April 21, 2010, in *The Connecticut Post of Bridgeport.*

Based on a request from the Applicant dated September 23, 2010, OHCA extended the default date of the CON application from September 26, 2010 to October 26, 2010. A public hearing regarding the CON application was held on October 7, 2010. On September 30, 2010, SVMC was notified of the date, time, and place of the hearing. On September 27, 2010, a notice to the public announcing the hearing was published in *The Connecticut Post.* Commissioner J. Robert Galvin designated Melanie Dillon, Staff Attorney as the hearing officer in this matter on September 29, 2010. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-639, C.G.S.

The Hearing Officer heard testimony from SVMC and, in rendering this proposed final decision, considered the entire record of the proceeding. OHCA's authority to review, approve, modify, or deny this proposal 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

1. SVMC is a 520 licensed bed general acute care hospital located at 2800 Main Street, Bridgeport, Connecticut. *(June 4, 2010, Initial CON Application Submission, page 9)*

2. FCI has operated and provided technical radiological services at two imaging centers: 3101 Main Street in Bridgeport and 115 Technology Drive in Trumbull. *(June 4, 2010, Initial CON Application Submission, page 9)*

3. Prior to this CON application, FCI closed its Bridgeport office. The CT scanner that resided there is not operational and will be sold or returned to the vendor by FCI. Other equipment from the Bridgeport location will be used in SVMC's radiology department. *(June 4, 2010, Initial CON Application Submission, page 10)*

4. FCI's Trumbull location is in a large professional/ medical office complex, has free parking and is easily accessible due to its first floor location. In addition, the town of Trumbull is in SVMC's primary service area and less than a 20 minute drive for most residents living in Bridgeport, Easton, Monroe, Shelton and Trumbull. *(June 4, 2010, Initial CON Application Submission, page 9)*

5. As part of an Asset Transfer Agreement, SVMC proposed to assume ownership of FCI's imaging center assets in Bridgeport and Trumbull. The equipment, as outlined in this proposal, is currently located in Trumbull and being operated by FCI. SVMC intends to continue operating both scanners at the Trumbull location as an extension of the institution's outpatient imaging services. *(June 4, 2010, Initial CON Application Submission, pages 10 and 13)*

6. Fairfield County Radiology Associates, LLC ("FCRA") is a private radiology physician practice that had provided professional radiology services to FCI and also to SVMC until April 30, 2010. At that time, six radiologists from FCRA consolidated their practice into Bridgeport Radiological Associates, LLC ("BRA") and effective May 1, 2010 became the provider of professional radiology services to SVMC. *(June 4, 2010, Initial CON Application Submission, page 9)*

7. The following is a list of current CT and MRI scanners by location:

Table 1: Current Imaging Modalities Operated by FCI & SVMC

Applicant	Location	Available Imaging
FCI	115 Technology Drive Trumbull, CT	MRI – GE Signa, LX High Speed; 1.0 Tesla (closed) CT – GE Lightspeed QX/I 4-slice
SVMC	2800 Main Street Bridgeport, CT ED Radiology Cancer Center	MRI 1.5 Tesla (closed) CT – 64 Slice CT – 16 Slice PET/CT – 16 Slice

(June 4, 2010, Initial CON Application Submission, page 15)

8. FCI acquired the CT and MRI in 2005 pursuant to CON Determination Report Number 05-30437-DTR, wherein it was determined that since each piece of equipment was under $400,000, CON approval was not required. Therefore, need was not determined for either the MRI or the CT scanner. *(June 4, 2010, Initial CON Application Submission, pages 5, 33-35)*

9. SVMC's primary service area is comprised of the following towns: Bridgeport, Easton, Fairfield, Monroe, Shelton, Stratford, Trumbull and Westport. *(June 4, 2010, Initial CON Application Submission, page 16)*

10. FCI performs the following imaging services at the Trumbull, CT location and SVMC seeks to continue to providing these same services through this proposal:
    (a) Bone Density
    (b) CT
    (c) Mammography
    (d) MRI
    (e) Ultrasound
    (f) X-ray/Fluoroscopy
    (June 4, 2010, Initial CON Application Submission, page 15)

11. The Trumbull location has approximately 30 physicians who are affiliated with SVMC, that offer and treat a variety of conditions, including: wound care, orthopedics, facial surgery, gastrointestinal, OB/GYN, pulmonary, and general surgery. *(October 7, 2010, Public Hearing Testimony of Susan Davis, President and Chief Executive Officer of St. Vincent's Medical Center)*

12. The following represents the historical and projected scan volume for FCI's CT and MRI imaging equipment in Trumbull:

Table 2: FCI (Trumbull) Historical CT and MRI Scan Volume

	Actual Volume			
	FY 2007	FY 2008	FY 2009*	FY 2010*
CT Scans	1,665	1,547	1,490	1,201
MRI Scans	1,081	759	1,113	1,181

Note: FCI fiscal year based on calendar year.
* Volumes updated at October 7, 2010 hearing
(June 4, 2010, Initial CON Application Submission, page 12 and October 7, 2010, Public Hearing Testimony of Rachel Giliotti, Administrative Director of Radiology at St. Vincent's Medical Center)

13. The declines in CT scan volumes for FCI are due in part to a transition in the radiology practice that resulted in one less physician and the focus and attention associated with the consolidation of FCRA into BRA. *(June 4, 2010, Initial CON Application Submission, page 22)*

14. The closing of FCI's Bridgeport location and the retiring of the CT scanner at this location will reduce the overall number of CT scanners in the service area.

15. The utilization volumes for Inpatient, Outpatient and ED treatment are as follows:

Table 3: SVMC Inpatient, Outpatient and ED Utilization - Actual and Projected

	Actual Volume			Annualized*	Projected		
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Inpatient discharges	19,434	20,159	21,726	20,962	21,225	21,490	21,759
Outpatient (includes ED)	193,981	196,603	202,523	241,966	249,225	256,702	264,403
ED – treat & admit	11,570	12,721	12,672	13,932	14,106	14,282	14,460
ED – treat & release	48,718	47,919	50,431	51,640	54,583	56,220	57,907

*Annualized based on October through April actual.

16. The MRI scanner located at the hospital operates 16 hours per day (7am – 11pm) Monday through Friday and 8-1/2 hours on Saturday. The MRI scanner capacity, at 100% and given these hours, is 5,020. Further, the target utilization for a hospital based scanner is 85% of capacity in order to allow for urgent/emergent scans, maintenance and repair. *(October 4, 2010, Prefile Testimony of Rachel Giliotti, page 2-3)*

17. The target utilization (based upon 85% capacity) for the MRI located at SVMC equates to 4,267 (5,020 x .85) MRI scans per year. *(October 4, 2010, Prefile Testimony of Rachel Giliotti, page 2-3)*

18. The MRI volume at SVMC for FY 2010 (3,806) and each of the three previous years (3,795, 3,972, 3,802) has not surpassed the target utilization of 4,267.

19. SVMC anticipates that CT and MRI scans will increase for its patients (Table 5) due to corresponding projected increases in Outpatient and ED utilization (Table 4). *(June 4, 2010, Initial CON Application Submission, pages 22-23)*

20. For the 11 month period ending August 31, 2010, SVMC's Emergency Department volume has increased by approximately 10%. SVMC has experienced flat overall MRI demand for this same period and demand has increased for inpatient MRIs (+5.6%) and decreased for outpatient MRIs. *(October 7, 2010, Public Hearing Testimony by John Gleckler, Senior Vice President for Finance/CFO at St. Vincent's Medical Center)*

21. SVMC projects that CT and MRI scans will increase due to corresponding forecasts of population increases and a greater concentration of elderly residents in their service area. The service area population is expected to increase from 373,926 in 2000 to 388,022 in 2015 (+4%). In addition, the percentage of household population 65 and older is expected to increase from 13.9% in 2000 to 15% in 2015. *(June 4, 2010, Initial CON Application Submission, page 17)*

22. SVMC reports the following historical and projected CT and MRI utilization:

Table 4: SVMC Historical and Projected CT and MRI Scan Volume

	Actual Volume (Last 3 Completed FYs)			CFY Volume***	Projected Volume (First 3 Full Operational FYs)		
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
CT Scans*	31,182	31,270	32,203	32,950	35,229	35,963	36,715
MRI Scans**	3,802	3,972	3,795	3,806[1]	5,180	5,266	5,355

Note: SVMC fiscal year runs from October 1st through September 30th.
*Historical CT volumes include all machines currently operated by SVMC and include: 2 CT scanners and 1 PET/CT scanner. Projected CT volumes include the additional CT scanner that SVMC is planning to acquire.
**Historical MRI volumes are for 1 MRI scanner; projected MRI volumes include the additional MRI scanner that SVMC is planning to acquire.
***Annualized volume based on 7 months actual.
[1] Actual volume
(June 4, 2010, Initial CON Application Submission, page 20 and October 7, 2010, Responses to Interrogatories, page 2)

23. The number of CT scans performed at SVMC (Table 4) has increased steadily from 31,182 scans in FY 2007 to 32,203 scans in FY 2009. The FY 2010 projection, based on 7 months of actual data, also forecasts a slight increase in the number of CT scans performed at the Hospital in FY 2009.

24. SVMC projects that the MRI demand is expected to increase due to emergency department volume growth, greater use of MRI for diagnosis and management of acute ischemic stroke at its certified stroke center, the expansion of cancer services, use of MRI for stereotactic radiosurgery, and the initiation of a new neuroscience center that includes neuro-radiologists who use MRI images for treatment planning. *(October 7, 2010 Public Hearing Testimony of Susan Davis)*

25. OHCA finds, however, that the evidence is insufficient to support SVMC's projections regarding increases in MRI demand.

26. The number of MRI scans performed at SVMC (Table 4) has not demonstrated consistent growth over the past four years. In FY 2010, the Hospital performed 3,806 scans, nearly identical to FY 2007 scan volume (3,802). Volumes increased in FY 2010 from FY 2009, but only by a very slight amount (+11 scans, <1%). In addition, MRI scan volume fell by 4% from FY 2008 to FY 2009 (from 3,972 to 3,795 scans). Overall, SVMC's MRI scanner has been operating below capacity for the past four years.

27. SVMC provided the following list of MRI providers in the service area:

Table 5: MRI providers in the SVMC service area

Provider	Location	Equipment
	Bridgeport	
St. Vincent's Medical Center	2800 Main St.	MRI – 1.5T
Bridgeport MRI Center	268 Grant St.	MRI – 1.5T
	Fairfield	
Advanced Radiology Consultants	1055 Post Rd.	MRI – 3.0T
	Shelton	
Advanced Radiology Consultants	4 Corporate Drive Suite 182	MRI
Robert Russo, MD & Associates	25 Constitution Blvd.	MRI - Open
	Stratford	
Advanced Radiology Consultants	2876 Main St.	MRI – 1.5T
Robert Russo, MD & Associates	2595 Main St.	MRI – 1.5T
	Trumbull	
Advanced Radiology Consultants	15 Corporate Drive	MRI - Open
Fairfield County Imaging	115 Technology Drive	MRI – 1.0T

(June 4, 2010, Initial CON Application Submission, pages 50-52)

28. There are two MRIs currently operating in the town of Trumbull. Overall, there are 9 MRI scanners operating within SVMC's service area.

29. SVMC has examined the need for imaging services in its service area but did not submit a written plan as part of its application or at hearing. *(October 7, 2010, Public Hearing Testimony of Susan Davis)*

30. Based upon historical utilization of SVMC's existing MRI Scanner, low volumes on the MRI Scanner currently operated by FCI and the number of existing MRI scanners in SVMC's primary service area, SVMC has failed to demonstrate a clear public need for the acquisition of an additional MRI.

31. The fair market value ("FMV") of the CT and MRI scanners SVMC plans to acquire are as follows: the CT scanner has a FMV of $80,000 and the MRI has a FMV of $100,000 at the end of their lease term (12/30/2010) for a total of $180,000. *(June 28, 2010, Completeness Letter Response Submission, pages 128-134)*

32. There is no capital expenditure associated with the acquisition of the imaging equipment in this proposal. *(June 4, 2010, Initial CON Application Submission, page 26)*

33. SVMC projects the following incremental gains from operations:

Table 6a: SVMC's Financial Projections Incremental to the CT Acquisition

	Fiscal Year		
Description	**2011**	**2012**	**2013**
Incremental Revenue from Operations	$509,000	$505,000	$530,000
Incremental Total Operating Expense	$462,000	$440,000	$459,000
Incremental Gain from Operations	**$47,000**	**$65,000**	**$71,000**
Volume (scans)	**1,214**	**1,214**	**1,214**

Note: SVMC fiscal year runs from Oct 1st through Sept 30th.
(October 7, 2010, Responses to Interrogatories, page 10)

Table 7b: SVMC's Financial Projections Incremental to the MRI Acquisition

	Fiscal Year		
Description	**2011**	**2012**	**2013**
Incremental Revenue from Operations	$793,000	$787,000	$831,000
Incremental Total Operating Expense	$640,000	$531,000	$556,000
Incremental Gain from Operations	**$153,000**	**$256,000**	**$275,000**
Volume (scans)	**1,257**	**1,257**	**1,257**

Note: SVMC fiscal year runs from Oct 1st through Sept 30th.
(October 7, 2010, Responses to Interrogatories, page 9)

33. Given that there is no capital expenditure associated with this project and that the projected volumes are reasonable and achievable, OHCA finds that the acquisition of the additional CT scanner is financially feasible.

34. While the acquisition of the MRI scanner appears to be financially feasible, the evidence is insufficient to establish a clear public need for an additional MRI scanner.

35. SVMC and FCI (at the Trumbull location) have the following payer mix, based on patient population:

Table 8: Current Payer Mix

Patient Population Mix	FY 2010			
	SVMC		FCI	
	CT	MRI	CT	MRI
Medicare*	38.93%	38.80%	33.19%	9.38%
Medicaid*	15.37%	9.83%	1.98%	1.83%
CHAMPUS & TriCare	0%	0%	0.44%	0.46%
Total Government	**54.30%**	**48.63%**	**35.61%**	**11.67%**
Commercial Insurers*	32.39%	44.31%	62.85%	82.84%
Uninsured	12.30%	5.81%	1.10%	1.14%
Workers Comp.	1.01%	1.25%	0.44%	4.35%
Total Non-Government	**45.70%**	**51.37%**	**64.39%**	**88.33%**
Total Payer Mix	**100.00%**	**100.00%**	**100.00%**	**100.00%**

*Includes managed care activity
(June 4, 2010, Initial CON Application Submission, pages 19-20)

36. The overall payer mix has been and is projected to be stable for SVMC. The payer mix at the Trumbull location, as a result of this proposal, will be consistent with SVMC's payer mix. *(June 4, 2010, Initial CON Application Submission, page 20)*

37. The access to scans for the medically indigent will be improved due to SVMC's more favorable sliding fee scale and charity care policy, acceptance of Medicaid patients and higher percentage of uninsured treated (Table 8) during FY 2010.

DISCUSSION

OHCA approaches community and regional 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.

The Applicant, SVMC, is a 520 licensed bed general acute care hospital located at 2800 Main Street, Bridgeport, Connecticut. SVMC proposes to acquire, through an Asset Transfer Agreement, a CT and MRI scanner from FCI, LLC, and continue to operate the equipment at its current location: 115 Technology Drive, Trumbull, Connecticut.

SVMC projects that the demand for CT and MRI scans will increase due to corresponding forecasts of increased Outpatient and ED service demand at SVMC, the expansion of cancer services and the creation of a new neuroscience center [Findings 19, 20, 23]. Service area population and the concentration of elderly patients are both expected to increase and contribute to the demand for imaging services at SVMC [Finding 21]. However, historical utilization numbers provided for CT and MRI scans at SVMC show mixed results.

CT scan volumes show modest and steady increases and are sufficient to support the acquisition of an additional CT scanner [Finding 22]. In addition, SVMC's volume may be enhanced by the closing of FCI's Bridgeport location and the retiring of the CT scanner at this location [Finding 13]. Access should improve for medically indigent patients in need of a CT scan due to SVMC's more favorable sliding fee scale and charity care policies [Finding 32]. Therefore, OHCA finds that the Hospital has sufficient CT volume to support the acquisition of one additional CT scanner, which will positively impact the accessibility of CT imaging for the patients of SVMC.

In contrast, MRI scan volumes at SVMC have been relatively flat for the past four years (FY 2007 – FY 2010) and the existing MRI scanner in use at the Hospital appears to be operating below capacity [Finding 24]. Utilizing the target utilization for hospital-based MRI scanners (5,020 x 85% = 4,267 scans) provided by the Hospital, OHCA finds that the MRI scans at St. Vincent's Medical Center have not reached this level of utilization for any of the past four years [Findings 16-18]. In addition, the latest MRI volumes have demonstrated a decrease in demand for outpatient MRI scans. [Finding 20]

SVMC states that the Trumbull location will improve access for patients residing in northern Bridgeport and towns north of the Hospital's main campus; however, there are two MRIs currently operating in the town of Trumbull and a total of 9 MRIs operating within SVMC's service area [Finding 26]. Given the historical utilization at SVMC, low volumes on the FCI MRI scanner, and the number of existing MRI scanners in SVMC's service area, SVMC failed to establish by a preponderance of the evidence that there is a clear public need for the MRI scanner in the service area.

With respect to the financial feasibility of the proposal, SVMC has projected incremental gains from operations for both the CT and MRI scanners [Finding 29]. OHCA finds that the acquisition of the CT scanner is financially feasible. While the acquisition of the MRI scanner appears to be financially feasible, the Applicants as noted above have failed to establish that there is clear public need for the acquisition of an additional MRI scanner by the Hospital.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of St. Vincent's Medical Center for the acquisition of a Computed Tomography Scanner and Magnetic Resonance Imaging Scanner, with a fair market value of $180,000 is hereby **MODIFIED**, subject to the following conditions:

1. SVMC's request to acquire a CT scanner with a fair market value of $80,000 from FCI is **approved.**

2. SVMC's request to acquire an MRI scanner with a fair market value of $100,000 from FCI is **denied.**

3. SVMC shall submit to OHCA in writing the CT scanner's initial date of operation at the Trumbull, Connecticut location.

4. Should SVMC plan to operate the CT scanner identified in this proposal at a location other than 115 Technology Drive, Trumbull, Connecticut, SVMC shall notify OHCA of the new location, no later than one month after the equipment's relocation.

Should SVMC 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.

Based upon the foregoing, I respectfully recommend that the Deputy Commissioner approve the application of St. Vincent's Medical Center's request to acquire a CT scanner and deny the request of St. Vincent's Medical Center to acquire an MRI scanner.

10-18-10
Date

Melanie A. Dillon, Esq.
Hearing Officer

NG:MD:bc

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TO: Norma Gyle c/o Kim Martone **FAX NO:** 860-418-7053

COMPANY: OHCA

FROM: Susan Davis

COMPANY: ST. VINCENT'S MEDICAL CENTER, Bridgeport, Connecticut

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COMMENTS:

NUMBER OF PAGES (INCLUDING COVER PAGE): 2

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