



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

November 3, 2006

Marco Verga, M.D.
Executive Managing Member
Diagnostic Radiology Associates, LLC
134 Grandview Avenue, Suite 101
Waterbury, CT 06708

Re: Certificate of Need Determination, Report Number 06-30802-DTR
Acquisition of a High Field MRI unit and a Multi-Slice CT Scanner, Middlebury, CT
Diagnostic Radiology Associates, LLC

Dear Dr. Verga:

On August 15, 2006, the Office of Health Care Access ("OHCA") received a response to its July 25, 2006 inquiry regarding the acquisition of a CT scanner and an MRI unit located at 1579 Straits Turnpike in Middlebury Connecticut by Diagnostic Radiology Associates, LLC ("Applicant"). Additional information was received on September 15, 2006, October 16, 2006 and October 23, 2006. This CON determination inquiry was initiated by OHCA and is being reviewed under Report Number 06-30802-DTR. Please be advised that OHCA has reviewed the information and makes the following findings:

Regarding the Acquisition of a CT scanner:

1. On June 29, 2005, the Applicant entered into an agreement to purchase a 2002 Toshiba Asteion Quad Slice CT scanner from Integrity Medical Systems, Inc. for an agreed upon price of \$227,500, including shipping, installation and calibration. A deposit of \$51,250 was paid by the Applicant for this unit on June 28, 2005. A copy of the cancelled check for this deposit has been filed by the Applicant.
2. The total capital expenditure related to the CT scanner is as follows:

Purchase price for the CT scanner	\$227,500
All delivery and installation costs	Included
All associated renovations, including shielding	\$ 53,473
Sales Tax	\$ 13,650
Rigger	\$ 3,450
Architectural and Engineering Costs	\$ 3,275
Capitalized Maintenance Agreement	<u>N/A</u>
Total	\$301,348

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3. On June 19, 2006, the Applicant received a letter from Integrity Medical Systems, Inc. that informed the Applicant that the installation of the CT scanner was complete and that the system was fully operational.
4. In a September 5, 2006 letter from Integrity Medical Systems, Inc. to the Applicant, they verify that the storage charges were included in the overall purchase price. This letter further states that the system the Applicant had received in Middlebury in June of 2006 was the same system purchased in June of 2005.

Regarding the Acquisition of an MRI unit:

5. On June 22, 2005, the Applicant entered into an agreement to purchase a preowned 1997 Siemens Vision 1.5T MRI unit at a purchase price of \$291,250 from Barrington Medical Imaging, LLC. A deposit of \$25,000 was paid to Barrington Medical Imaging by Diagnostic Radiology Associates, LLC on June 21, 2005. A copy of the cancelled check for this deposit has been filed by the Applicant.

6. The total capital expenditure related to the MRI unit is as follows:

Purchase price for the MRI scanner	\$291,250
All delivery and installation costs	Included
All associated renovations, including shielding	\$ 75,989
Sales Tax	\$ 17,475
Rigger	\$ 5,900
Architectural and Engineering Costs	\$ 4,458
Capitalized Maintenance Agreement	<u>N/A</u>
Total	\$395,072

7. On June 22, 2006, the Applicant received a letter from Barrington Medical Imaging, LLC that informed the Applicant that the installation of the MRI was complete and that the system was fully operational.
8. In a September 5, 2006 letter from Barrington Medical Imaging, LLC to the Applicant, they confirm that the specific Siemens Vision system for which they “targeted, quoted and went to contract with DRA, LLC” is the same system that they refurbished, delivered and installed at the Straits Turnpike location.

Related to both pieces of equipment:

9. Patients were first scanned in June 2006 using the MRI unit and CT scanner. Insurance claims forms have been submitted to demonstrate that the services were activated prior to July 1, 2006 (specifically for a CT scan performed on June 30, 2006 and an MRI performed on June 30, 2006).
10. The Applicant indicates that the long period of time between the equipment orders and the installation included due diligence activities and negotiations pertaining to real estate.

11. During the extensive project timeframe, the CT scanner was kept in storage by Integrity Medical and this was included in the \$227,500 purchase price for the scanner. The MRI unit was also kept in storage by Barrington Medical Imaging, which was also included in the \$291,250 purchase price of that unit. No further storage costs were incurred by the Applicant for either unit.
12. The Applicant verified that it did not enter into any new or subsequent purchase agreements related to either of these two pieces of equipment and that there were no amendments to the initial purchase agreements.
13. A facility fee is not charged.
14. The space in which DRA practices is condo space, specifically condo units A-a and A-b within the building at 1579 Straits Turnpike in Middlebury. The building, including the condo unit housing DRA's professional practice, is owned by DRA Realty, LLC. That entity shares complete commonality of ownership with DRA, LLC. There are no other owners of either entity.
15. There is a lease between DRA and DRA Realty for this space and DRA pays a rental fee to DRA Realty, LLC. That lease does not extend or relate to the MRI or CT equipment in question. The lease is an operating lease, not a capital lease.
16. Diagnostic Radiology Associates, LLC is the sole owner, operator and manager of the equipment and is the legal entity which employs the technical staff, bills for the professional and technical fees and reads and interprets the scans. The Applicant is the sole owner, operator and manager of these imaging services.

Based on the above findings, OHCA has determined that Diagnostic Radiology Associates, LLC is not required to file a Certificate of Need request for the purchase of the CT scanner or the separate purchase of the MRI unit as the Applicant had made certain binding commitments related to each of these pieces of imaging equipment prior to the implementation of Public Act 05-93 and both pieces of equipment were operational prior to July 1, 2006. The Applicant has provided to OHCA satisfactory evidence that it entered into a legal purchase agreement for the CT scanning equipment for under \$400,000 prior to July 1, 2005 and a legal purchase agreement for the MRI unit for under \$400,000 prior to July 1, 2005. Further OHCA authorization is not required for the Applicant to implement the project. In addition, OHCA does not find from the information provided that the Applicant is structured as a health care facility or institution pursuant to Section 19a-630 of the Connecticut General Statutes.

If you have any questions concerning this letter, please contact Karen Roberts, Compliance Officer, at (860) 418-7001.

Sincerely,

Signed by Commissioner Vogel on November 3, 2006

Cristine A. Vogel
Commissioner

CAV:kr

Copy: Rose McLellan License and Applications Supervisor, DPH, DHSR