

**Division of Health Planning and Resource Development  
November 2008**

**CON Review HG-NIS-0808-026  
North Sunflower Medical Center  
Offering of Mobile MRI Services  
Capital Expenditure: \$-0-  
Location: Ruleville, Sunflower County, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

North Sunflower Medical Center (NSMC) d/b/a North Sunflower County Hospital (NSCH) is a 95-bed county-owned, critical access hospital, offering acute care services, in northern Sunflower County. The facility offers a 25-bed Acute Care Unit, of which 10 beds can be utilized as a Swing Bed Unit. NSCH participates as a Level IV Trauma Care facility and is in good standing with the Mississippi Secretary of State. The facility is governed by a five-member Board of Trustees.

The occupancy rates, average length of stay (ALOS), and Medicaid utilization for the past three years are listed below:

**North Sunflower Medical Center  
Utilization Data**

Year	Occupancy Rate (%)	ALOS Days	Medicaid Utilization Rate (%)
2005	26.25	5.33	71.00
2006	33.29	5.59	74.00
2007	37.44	6.30	70.00

Source: The Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

North Sunflower Medical Center (NSMC) requests Certificate of Need (CON) authority to offer magnetic resonance imaging (MRI) services at its facility by contracting with P & L Imaging, LLC, a mobile MRI company, one-half day per week, from 8:00 a.m. through 11:00 a.m. P & L Imaging currently provides MRI services at NSMC on Tuesdays each week and will continue to provide the equipment and the staffing to conduct the procedures. NSMC will provide all billing for services rendered and pay P & L Imaging, LLC of Batesville a per procedure fee for each scan performed.

The proposed project does not require any construction, renovation, or capital expenditure to establish the mobile MRI services. The proposed MRI equipment

is a Philips 1.5 tesla Intera scanner housed in a mobile unit and will be shared with other health facilities. The equipment is exempted from CON review by the Division of Health Planning and Resource Development.

On September 22, 2008, the Division of Health Facilities Licensure and Certification approved the site on the campus of North Sunflower Medical Center, Ruleville, Sunflower County, Mississippi, where P&L Imaging of Batesville proposes to provide mobile MRI services.

The applicant's final objectives for the proposed project are to provide inpatient and outpatient MRI scans to patients in Sunflower County, enhance the quality of health care provided to the community, and lower treatment costs for MRI access for the patients in General Hospital Service Area 2 (GHS A 2).

## **II. TYPE OF REVIEW REQUIRED**

Projects which propose the establishment of MRI services are reviewed in accordance with Section 41-7-191, subparagraph (1)(d)(xii) of the Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197 (2) of the Mississippi Code 1972 Annotated, as amended, any person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on December 4, 2008.

In addition, this project is reviewed under the *FY 2009 State Health Plan* in effect at the time the application was received, August 27, 2008. The 2009 State Health Plan has an effective date of August 11, 2008.

## **III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS**

### **A. State Health Plan (SHP)**

The *FY 2009 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need authority for offering MRI services. This application is in substantial compliance with applicable criteria and standards.

#### **SHP Criterion 1- Need**

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 2,700 procedures by the end of the second year of

operation using the procedures estimation methodology presented in the *State Health Plan*. The *State Health Plan* provides, however, that: "If the MRI unit in question is presently utilized by more than one provider of MRI services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections". In addition, the *State Health Plan* requires that if a particular MRI unit is utilized by more than one provider of MRI services, all existing or proposed providers of MRI services must jointly meet the required service volume of 2,700 procedures annually by the end of the second year of operation.

The MRI services will be performed on a Philips Intera 1.5 tesla scanner installed in a mobile unit which will be leased. North Sunflower Medical Center of Ruleville, Mississippi, proposes to offer MRI services through an existing mobile route. The mobile route is operated by P & L Contracting, Inc of Batesville, MS.

The proposed route includes the following providers and projected number of MRI procedures for the first and second years of operation:

Facility/Location	County & General Hospital Service Area	Year 1 Projected No. of Procedures	Year 2 Projected No. of Procedures	2007 No. of Procedures Performed	Projected Days/Hr Of Operation
P&L Contracting, Inc.	Panola GHSA 1	823	980	1,327	M & Th. (7 hrs)
<b>**N. Sunflower Med Ctr.</b>	<b>Sunflower GHSA 2</b>	<b>364</b>	<b>624</b>	<b>113</b>	<b>Tu. (3 hrs)</b>
Quitman County Hosp.	Clarke GHSA 2	50	50	29	Th. (4 hrs)
S. Sunflower Cty. Hosp.	Sunflower GHSA 2	634	720	610	W (3 hrs)
Sharkey-Issaquena Community Hosp.	Sharkey GHSA 3	167	216	148	W (4 hrs)
Yalobusha General Hosp.	Yalobusha GHSA 1	437	530	530	M (3 hrs)
*King's Daughter Hosp.	Yazoo GHSA 3	180	504	-	Tu. (4 hrs)
<b>Total</b>		<b>2,655</b>	<b>3,624</b>	<b>2,757</b>	<b>28 hours</b>

\*CON approved May 2008 to add facility to the proposed mobile route.

\*\*Applicant

As shown above, the equipment currently provides mobile MRI services at seven different sites. In 2007, the unit performed 2,757 MRI procedures, which exceeds the minimum of 2,700 MRI procedures required annually per proposed

MRI unit. The mobile route is projected to perform 2,655 procedures for the first year of operation and 3,624 procedures by the second year of operation, which exceeds the 2,700 minimum procedures required by the second year of operation. Staff believes that the proposed route is reasonable.

The applicant makes the following projections of MRI procedures to be performed during the first, second, and third years of operation:

Projected MRI Procedures		
Year 1	Year 2	Year 3
364	624	884

According to the applicant, increased utilization was factored by receiving a CON for NSMC's Wellness Center, the re-opening of some surgical suites, and continued growth of the other services NSMC currently offers.

According to the *FY 2009 State Health Plan*, there were 13 MRI service sites in GHSA 2 in FY 2007, operating 11.45 full time equivalent (FTE) MRI units. These units performed 22,382 MRI procedures in FY 2008, for an average of 1,955 procedures per FTE MRI unit. See Attachment 2 for a list of the MRI sites in GHSA 2, both fixed and mobile, and full time equivalents.

### **SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities**

North Sunflower Medical Center certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including, but not limited to, computed tomography (CT), ultrasound, and conventional radiology.

### **SHP Criterion 3 - Accessibility**

NSMC certifies that it does not exclude, deny benefits to, or otherwise discriminate against any person on the grounds of race, color, age, sex, ethnicity, or ability to pay, or on the basis of disability or age in admission to, participation in, or receipt of the services and benefits of any of its programs and activities or in employment.

### **SHP Criterion 4 - Staffing**

The applicant affirms that a board-certified radiologist will be on site during the hours of operation. Also, a trained MRI technologist will be available during the hours of operation to perform the exams.

### **SHP Criterion 5 - Research Staffing**

NSMC affirms that the facility will not use MRI equipment for experimental procedures. However, in the event the hospital uses MRI for experimental purposes, the applicant states there will be formal/approved protocols and a full-time medical physicist or MRI scientist with at least one year of experience in diagnostic imaging available in the facility.

### **SHP Criterion 6- Data Requirement**

The applicant affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health regarding the operation of the MRI equipment. Also, the applicant states they will record source of payment for procedures and the total amounts charged during the fiscal year.

### **SHP Criterion-7- CON Approval**

P & L Contracting, Inc., Batesville, Mississippi, the proposed mobile MRI equipment vendor, is approved to provide mobile MRI equipment and services in Mississippi.

## **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2008 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

### **GR Criterion 1 –State Health Plan**

The application was reviewed for compliance with the *FY 2009 State Health Plan* as previously discussed.

### **GR Criterion 2 - Long Range Plan**

According to the applicant, North Sunflower Medical Center's long term strategic plans and mission are to provide state of the art equipment and treatment modalities to the citizens of the county. The applicant believes that the proposed project is consistent with the hospital's development plan to offer high quality patient care, access to needed medical services, and to provide the diagnostic discipline that has become the standard of care. This project is consistent with the applicant's long range plan.

### **GR Criterion 3- Availability of Alternatives**

According to the applicant, two alternatives to mobile MRI services were considered:

1. Make no change and refer patients to other providers for MRI services. This alternative was rejected because (1) it ignores the needs of the community the hospital serves; (2) it would disrupt the continuity of patient care; (3) it would increase total costs to patients; and (4) limit accessibility, which means the patients will have to travel outside of the service area to receive MRI services.
2. Purchase a Fixed MRI unit. This alternative was rejected because of cost inefficiency.

The applicant decided the best option would be to seek CON approval for mobile MRI services. This option was chosen because contracting with a mobile vender allows the hospital to meet the needs of the community at a reduced cost.

### **GR Criterion 4 - Economic Viability**

Based on the applicant's three year projected operating statement, this project will be economically viable. The three-year projected operating statement contained in the application indicates net income of \$112,125 the first year, \$258,882 the second year, and \$355,596 the third year of operation.

The applicant states that the cost to the hospital for a mobile MRI scan will be \$400 per scan and the charge to patients will be \$2,500 per scan. The applicant's proposed costs are reasonable; however, the proposed charges are higher compared to similar providers.

The applicant's projected level of utilization is in line with similar facilities in the service area. The applicant's projected volume of utilization for the mobile MRI for the first, second, and third year of operation are 364 procedures, 624 procedures, and 884 procedures.

### **GR Criterion 5 - Need for the Project**

According to the applicant, the community on the north end of Sunflower County does not have access to MRI services, except for the proposed mobile MRI unit. The mobile unit will continue to serve NSMC; however, the hospital will retain the CON to provide the services. If the proposed project is not approved, the patients will be subject to traveling further distances to seek MRI services. The

applicant believes that its facility is a convenient location for the proposed service in GHSA 2.

The application contains approximately 10 letters from physicians and medical professionals supporting the proposed project.

The department received one letter of comment regarding the proposed project.

### **GR Criterion 6- Access to the Facility**

The applicant affirms that all residents of the health planning service area, hospital service area, and patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly have access to the services of the existing facility and will continue to have access.

The table listed below shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to charity and medically indigent patients for the past three fiscal years at NSMC:

<b>Fiscal Year</b>	<b>Gross Patient Revenue Percent (%)</b>	<b>Gross Patient Revenue (dollar amount)</b>
2006	*4.2%	\$25,094,219
2007	*5.0%	\$28,763,971
Projected Yr 1	*5.3%	\$33,548,801
Projected Yr 2	*5.6%	\$34,804,412

\*Represents the percentage of bad debt incurred by the hospital, which includes charity care. The applicant states that the hospital has not historically separated out charity care from bad debt.

### **GR Criterion 7- Information Requirement**

North Sunflower Medical Center affirms that it will record and maintain the information stated in this criterion regarding charity care, care to the medically indigent, and Medicaid populations and make it available to the Mississippi State Department of Health within 15 days of request.

### **GR Criterion 8 - Relationship to Existing Health Care System**

North Sunflower Medical Center is located in General Hospital Service Area 2 (GHSA 2). According to the *2009 State Health Plan*, GHSA 2 had a total of 13 MRI sites (mobile and fixed) in FY 2007, utilizing approximately 11.45 FTE units. These sites and units performed a total of 22,382 MRI procedures in 2007.

The *2009 State Health Plan* shows that the mobile unit currently performs scans at NSMC every Tuesday for three hours and the population currently accesses this service through P&L Contracting. The applicant believes that obtaining the CON for MRI services at the hospital and contracting with P & L Imaging is a more cost effective approach to providing treatment and will provide for more timely results of tests and early treatment intervention.

The project is not expected to have an adverse impact on other providers of MRI services because the service is already being provided at the hospital; the applicant is just requesting to be the holder of the CON.

#### **GR Criterion 9 - Availability of Resources**

The applicant affirms that the mobile service provider via contract will provide all necessary staff for the proposed service. However, no additional personnel are projected for this project.

#### **GR Criterion 11- Health Professional Training Programs**

North Sunflower Medical Center does not participate as a training facility for diagnostic imaging students and does not anticipate a change as a result of the proposed project.

#### **GR Criterion 16 - Quality of Care**

North Sunflower Medical Center is in compliance with the Minimum Standards for the Operation of Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification.

### **IV. FINANCIAL FEASIBILITY**

#### **A. Capital Expenditure Summary**

The applicant indicates that no capital expenditure is associated with this project.

#### **B. Method of Financing**

This project requires no financing.

#### **C. Effect on Operating Costs**

The applicant's three-year projected operating statement is provided in Attachment 1.



**D. Cost to Medicaid/Medicare**

The applicant's projection to third party payors is as follows:

<b>Patient Mix by Payor</b>	<b>*Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	7%	\$ 63,700
<b>Medicare</b>	86%	746,200
<b>Other</b>	8%	100,100
<b>Total</b>	<b>101%</b>	<b>\$910,000</b>

**\*Note: Calculations off due to rounding**

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. The Division of Medicaid takes no position on the project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the offering of mobile MRI services as contained in the *FY 2009 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2008 revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by North Sunflower Medical Center.

**ATTACHMENT 1**

**North Sunflower Medical Center  
 Three-Year Projected Operating Statement**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 260,000	\$ 262,600	\$ 265,226
Outpatient Care Revenue	650,000	1,560,000	2,210,000
Gross Patient Care Revenue	\$910,000	\$1,822,600	\$2,475,226
Charity			
Deductions from Revenue	652,275	1,301,638	1,766,030
Net Patient Care Revenue	\$257,725	\$520,962	\$709,196
<b>Total Operating Revenue</b>	<b>\$257,725</b>	<b>\$520,962</b>	<b>\$709,196</b>
<b>Operating Expenses</b>			
Services	145,600	262,080	353,600
Lease Expense			
Depreciation			
Bad Debt			
<b>Total Operating Expense</b>	<b>\$ 145,600</b>	<b>\$ 262,080</b>	<b>\$ 353,600</b>
<b>Net Operating Income</b>	<b>\$112,125</b>	<b>\$258,882</b>	<b>\$355,596</b>
<b>Assumptions</b>			
Number of Scans	364	624	884
Charge per Scan	\$ 2,500	\$ 2,921	\$ 2,800
Cost per Scan	\$ 400	\$ 420	\$ 400

**Attachment 2**  
**General Hospital Service Area 2**  
**Location and Number of MRI Procedures**

Facility	Location	Type/No. of Equip.	Number of Procedures FY 2006	Number of Procedures 2007	Days Operated 2007	FTE Unit 2007
Baptist Memorial-DeSoto	Southaven	F(3)	6,144	7,128	M-Sun (336 Hrs)	3.00
Bolivar Medical Center	Cleveland	F(1), M(1)	968	339	M-F(40 hrs)	2.00
Carvel Imaging Center	Olive Branch	F	3,392	1,039	M-F (72.5 Hrs)	1.00
Carvel Imaging Center	Southaven	F	402	2,395	M-F(52.5 Hrs)	1.00
Delta Regional Medical Center	Greenville	F	3,121	2,599	M-F(40hrs)	1.00
DeSoto Imaging Specialists	Southaven	M	0	1,012	TWF(28.5 Hrs)	.71
Greenwood Leflore Hospital	Greenwood	F	3,872	4,345	M-F(40 Hrs)	1.00
Northwest MS Regional Medical Ctr.	Clarksdale	M	1,986	1,938	M-F(40 hrs)	1.00
P&LC-N. Sunflower Medical Ctr	Ruleville	M	CON	113	Tu. (3 Hrs)	.08
P&LC-Quitman County Hospital	Marks	M	CON	29	Th. (3 Hrs)	.08
S. Sunflower County Hospital	Indianola	M	452	610	W (9 Hrs)	.23
Tyler Holmes Memorial Hospital	Winona	M	260	326	W (4 Hrs)	.10
University Hospital & Clinics	Lexington	M	538	509	M (10 Hrs)	.25
<b>Totals</b>			<b>21,135</b>	<b>22,382</b>		<b>11.45</b>

**Source:** *FY 2009 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2005 and 2006, and Fiscal Years 2005 and 2006 Annual Hospital Reports  
 MRI survey conducted for calendar years 2006 and 2007.

F – Fixed Unit  
 M - Mobile MRI Unit  
 FTE – Full Time Equivalent Units

**Note:** FTEs were calculated for mobile units only. If a unit is at one site for 5 days or more or 40 hours or more per week, it is counted as 1 FTE unit. All fixed units are counted as one unit regardless of the number of hours in operation.