

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
DECEMBER 2011**

**CON REVIEW: HG-NIS-1111-021
MONTFORT JONES MEMORIAL HOSPITAL
OFFERING OF MOBILE POSITRON EMISSION TOMOGRAPHY (PET) SERVICES
CAPITAL EXPENDITURE: \$75,000
LOCATION: KOSCIUSKO, ATTALA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Montfort Jones Memorial Hospital (“Montfort Jones” or “the “Hospital”) located at 220 Highway 12 West, Kosciusko, Attala County, Mississippi is a county-owned facility and is governed by a board of trustees appointed by the Attala County Board of Supervisors.

The hospital is currently licensed to operate 64 medical/surgical beds and 7 cardiac intensive care beds, for a total licensed bed capacity of 71.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Montfort Jones are as follows for the years 2006 through 2008:

**Montfort Jones Memorial Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2008	42.37	4.65	10.36
2009	38.86	5.14	n/a
2010	32.17	4.30	15.23

Source: Division of Health Facilities Licensure and Certification,
MSDH

B. Project Description

Montfort Jones requests Certificate of Need (CON) authority for the Offering of Positron Emission Tomography (PET) Services. The Hospital intends to offer PET services one half (1/2) day per week through a PET/CT master service agreement with Alliance HealthCare Services, Inc. (“Alliance”). The Mississippi State Department of Health (“MSDH”) authorized Alliance to purchase the PET/CT scanner that will be utilized for this project. The Certificate of Need (“CON”) for the GE mobile PET/CT scanner was issued to Alliance on September 27, 2001 pursuant to CON Number R-0503.

The applicant submits that Montfort Jones is currently renovating and expanding its physical plant pursuant to CON Number R-0812 effective June 24, 2010. The renovation and expansion project includes the construction of a mobile pad that will be used for the mobile

PET/CT scanner. However, as a precaution and in the event it is later determined that there is a necessity for some modification to the pad or the electrical hook-ups, a contingency capital expenditure of \$75,000 was requested.

According to the applicant, the capital expenditure for the proposed project (\$75,000) will be funded through its accumulated cash reserves and investments. The applicant states that no new personnel will be required and they anticipate completion of this proposed project within two weeks upon CON approval.

On November 4, 2011, the MSDH Division of Health Facilities Licensure and Certification, determined that the proposed project's site is acceptable for the stated purpose and a site approval was granted.

The applicant projects the following number of procedures:

Projected PET Procedures

Year 1	Year 2	Year 3
100	105	115

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of Positron Emission Tomography (PET) services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d) (xv) 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 affected 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 January 9, 2012.

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

A. State Health Plan (SHP)

The *FY 2012 State Health Plan* addresses policy statements and service specific criteria and standards which an applicant is required to meet before receiving CON authority to provide PET services. This application is in substantial compliance with applicable criteria and standards for the offering of PET services.

SHP Policy Statement (PS) Regarding PET

PS-2 Indigent/Charity Care: The applicant states that it will provide a reasonable amount of indigent/charity care.

PS-5 Access to Supplies: According to the applicant, Alliance will be responsible for all the radiopharmaceuticals required to perform the PET scans.

PS-6 Services and Medical Specialties Required: The applicant states that Montfort Jones will provide the following:

- i. Computed tomography (whole body) on-site at the hospital;
- ii. Magnetic resonance imaging (brain and whole body) with a fixed unit shared with Kosciusko Medical Clinic;
- iii. Nuclear medicine; and
- iv. Conventional Radiography

The applicant further states that, Montfort Jones has on site or through contractual agreements the following medical specialties:

- i. Cardiology
- ii. Neurology
- iii. Neurosurgery
- iv. Oncology
- v. Psychiatry, and
- vi. Radiology

PS-7 Hours of Operation: The applicant submits that Alliance has agreed to provide the PET scanner one-half (1/2) day per week and the schedule should provide adequate hours to avoid an excessive backlog of cases.

PS-11 Addition to a Health Care Facility: The application contains a letter dated July 18, 2011, from the Department acknowledging Alliance's intent to include Montfort Jones to its existing mobile PET route.

PS-12 Equipment Registration: The applicant states that the proposed project is for the offering of PET services utilizing Alliance's PET equipment on a mobile route and does not contemplate the provision of fixed PET services.

Certificate of Need Criteria and Standards for the Offering of Fixed or Mobile Positron Emission Tomography (PET) Services

SHP Criterion 1a – Need

According to the Certificate of Need criteria and standards, an entity desiring to offer PET services must document that the equipment shall perform a minimum of 1,000 clinical procedures per year and must show the methodology used for the projection.

According to the applicant, the route which Montfort Jones will be added to performed 1,062 clinical procedures during the period of October 1, 2009 through September 30, 2010.

Regarding the number of procedures performed in 2010 by Alliance for the mobile PET/CT 80 route and the proposed number of procedures during the first year of operation, the applicant submits the following data:

PROVIDER	LOCATION	NUMBER OF PROCEDURES PERFORMED FY 2010	YEAR 1 PROJECTED NUMBER OF PROCEDURES	DAY/HOURS
Bethesda Regional Cancer Center	Coahoma, Clarksdale	113	113	Fri (1/2 day)
Baptist Memorial	DeSoto, Southaven	303	303	Th (8 hrs)
*Baptist Memorial	Union City, TN	131	131	W (8 hrs) (e.o.w.)
Bolivar Medical Center	Bolivar, Cleveland	128	128	Fri (1/2 day)
Delta Regional Medical Center	Washington, Greenville	245	245	Tue (8 hrs)
Greenwood Leflore Hospital	Leflore, Greenwood	142	142	W (8 hrs) (e.o.w.)
^Montfort Jones Memorial Hospital	Attala, Kosciusko	-	100	Sat (1/2 day)
TOTAL		1,062	1,162	

^ Proposed facility to be added to existing route

e.o.w.-every other week

* Located outside of Mississippi

According to the above table, the PET/CT 80 scanner exceeded the minimum 1,000 required procedures. With the addition of Montfort Jones 100 procedures, the route continues to exceed the requirement. Additionally, the applicant submits that because of the tremendous diagnostic advantage and capability offered by PET scanners access to PET services are important. Furthermore, the only providers offering PET services in GHSA 5 are located in Jackson.

The applicant contends that PET scanners extend the capabilities of other advanced imaging technologies and provide physicians with unique diagnostic information that may alter patient management. They also reduce the total cost of patient care. Furthermore, PET scanners can examine the fundamental biological nature of disease that occurs early on, even before the presence of symptoms. PET scanners use radioactive labeled compounds to allow imaging and measure of biological processes at the root of disease. However, unlike MRI or CT, PET scans permit assessment of chemical and physiological changes related to metabolism. The applicant documents that this is important because functional change often predates structural changes long before they would be revealed by modalities like MRI and CT.

According to the applicant, there are three major areas in which a PET scan has proven useful: Oncology, Cardiology, and Neurology. However, the primary use in the United States for PET scanning is in the field of Oncology, which is used for detecting and staging of various cancer types. Montfort Jones is located in Attala County and according to *Mississippi Vital Statistics 2010*, Attala County had a cancer death rate of 327.1 in 2010 per 100,000 population. This rate is higher than Mississippi's overall cancer death rate of 211.1 deaths per 100,000 population. The 2010 Census Data reports Attala County had a population of 19,564 or 0.66% of Mississippi's population of 2,967,297. Additionally, the American Cancer Society's estimate of new cancer cases has increased in Mississippi between 2007 and 2011. The new cancer cases increased from 12,470 to 14,990 resulting in an increase of 2,520 new cases.

The applicant states that statistics reported in the Mississippi Vital Statistics 2010 Publication, the American Cancer Society's Publications, and a facility-specific evaluation of the Hospital's patients were used to estimate the number of procedures that Montfort Jones will perform during its first year of operation.

SHP Criterion 3 – Assurance

Montfort Jones asserts that its proposed PET service will be offered in a physical environment that conforms to the federal standards, manufacturer's specifications and licensing agencies' requirements as stated for this criterion.

SHP Criterion 4 – Approval from Radiological Health

Montfort Jones asserts that the Hospital will obtain all necessary approvals from the Division of Radiological Health.

SHP Criterion 5 – Availability of Equipment

The applicant asserts that Alliance has access to and is responsible for receiving, storing and handling all appropriate radiopharmaceuticals required to perform the PET scans.

SHP Criterion 6 – Staffing Availability

The applicant states that qualified staff will be available to provide the mobile PET services. The applicant further states that Montfort Jones has a radioactive material license issued by the Mississippi State Department of Health. The radioactive material license identifies the physicians authorized and licensed to use and/or supervise the various radioactive materials listed.

SHP Criterion 7 – Medical Emergencies

The applicant documents that all medical emergencies that arise within the PET unit will be handled in conformity with accepted medical practice by following Montfort Jones' Code Blue policy.

SHP Criterion 8 – Referral System

The applicant affirms that Montfort Jones will accept appropriate referrals from other local providers and that the patient will be accommodated by possibly extending the hours of service and prioritizing patients according to standards of need and appropriateness rather than source of referral.

SHP Criterion 9 – Established Protocols

The applicant affirms that protocols will be established to assure that all clinical PET procedures performed are medically necessary and not more appropriately performed by other, less expensive, established modalities.

SHP Criterion 10 – Maintenance of PET Procedures

The applicant affirms that they will maintain and provide to referring physicians a current listing of appropriate PET procedures for use by referring physicians.

SHP Criterion 11 – Maintenance of Required Data

The applicant asserts that Montfort Jones will maintain the data required by this criterion and will make the same available to the Mississippi State Department of Health upon request.

SHP Criterion 12 – CON Exemption/Approval

Montfort Jones is requesting CON authority through the Mississippi State Department of Health to provide PET services through a service agreement with Alliance HealthCare Services, Inc.

As previously stated, Alliance was authorized by the MSDH to purchase the PET/CT scanner. The CON for the GE mobile PET/CT scanner was issued to Alliance on September 27, 2001 pursuant to CON Number R-0503.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*; revised September 1, 2011; 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 2012 State Health Plan* as previously discussed.

GR Criterion 2 - Long Range Plan

The applicant states that the proposed project comports with the Hospital's goal to provide quality, efficient health care to all residents of the Attala County community and is compatible with its long-range plans.

GR Criterion 3 - Availability of Alternatives

According to the applicant, the Hospital will be able to provide its patients with state-of-the-art diagnostic services locally. Currently, patients have to travel outside the hospital's service area in order to receive such services. Therefore, the applicant does not believe there is any other alternative to this project other than to do nothing.

GR Criterion 4 - Economic Viability

According to the applicant's three-year projections, the proposed project's net gain will be \$43,400 the first year of operation, \$52,200 the second year, and \$70,680 for the third year of operation. Staff determined that the proposed project will be economically viable by the third year of operation.

- a. **Proposed Charge:** The applicant projects charges of \$2,000 per PET procedures for the first and second years of operation, and \$2,009 for the third year of operation for the proposed project, respectively. The applicant projects costs of \$1,326 for the first year, \$1,263 for the second, and \$1,153 for the third year of operation. The applicant contends the charges are compatible with other similar services in GHSA 5.
- b. **Projected Levels of Utilization:** The applicant anticipates the following number of PET procedures will be performed during the first, second, and third years of operation: 100; 105; and 115 scans, respectively. As previously stated, the applicant will enter into a service agreement with Alliance for mobile PET service one half day per week. According to Montfort Jones, the projected levels of utilization are reasonably consistent with utilization levels experienced by similar facilities in GHSA 5.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant states that all residents of the area will continue to have access to the PET services offered at Montfort Jones.
- b. **Relocation of Services:** This application seeks to offer mobile PET services through a service agreement with Alliance a mobile PET vendor.
- c. **Probable Effect on Existing Facilities in the Area:** The applicant states that the only providers of PET services in GHSA 5 are located in the Jackson metropolitan area. The applicant further states that Montfort Jones will be the only provider of PET services in Attala County and in any county contiguous to Attala County. Therefore, they believe there will be no adverse impact on any existing provider as a result of the proposed project.
- d. **Community Reaction:** The application contains three (3) letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

According to the applicant, all residents of GHSA 5, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the facility.

Upon completion of the proposed project, the applicant submits the following to show the projected gross patient revenue percentage and actual dollar amount of health care provided to medically indigent patients for the first two years:

Projected Year	Gross Patient Revenue (%)	Gross Patient Revenue (\$)
1	7.5%	\$2,426,399
2	7.5%	\$2,474,927

GR Criterion 7 - Information Requirement

The applicant affirms that the facility will record and maintain the requested information required by this criterion 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

For FY 2010, the *FY 2012 State Health Plan* shows that GHSA 5 had four fixed PET providers with a total of five PET scanners that performed a total of 4,968 PET procedures. The applicant notes that all five of the PET scanners in GHSA 5 are located in the Jackson metropolitan area. However, Montfort Jones which is located in GHSA 5 will be the only provider of PET services in Attala County. The applicant contends that existing patients of Montfort Jones in need of a PET procedure must travel at least an hour to receive PET services.

The applicant submits that PET services are the most up-to-date diagnostic procedures for the diagnosis, staging and restaging of many serious diseases and is needed in the Attala County community. Additionally, the applicant believes that failure to implement this project will result in impairing the people living in Montfort Jones' service area the ability to conveniently access the most effective diagnostic, staging and restaging service for many serious diseases.

The Department has not received any letters of opposition for the proposed project.

Staff contends that this project should not have an adverse affect on existing providers in GHSA 5.

GR Criterion 9 - Availability of Resources

The applicant asserts that no new personnel will be required for this project.

GR Criterion 16 – Quality of Care

The applicant submits that Montfort Jones has a history of providing high quality medical care to the resident of its service area. Additionally, it has in place a quality improvement program

for the purpose of ensuring delivery of the highest quality of care to its patients in the most efficient and effective manner with the resources available.

Montfort Jones is certified to participate in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

As previously discussed, the applicant submits that Montfort Jones is currently renovating and expanding its physical plant pursuant to CON Number R-0812. The renovation/expansion includes the construction of a mobile pad that will be used for the mobile PET/CT scanner. As a result, the Hospital only requests a capital expenditure of \$75,000.

B. Method of Financing

As previously stated, the capital expenditure for the proposed project is \$75,000 and the applicant intends to finance the project through its accumulated cash reserves and investments.

C. Effect on Operating Cost

With regard to this project, the applicant's projected Operating Statement for Montfort Jones for the first three years of operation is listed as Attachment 1.

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Revenue
Medicaid	15%	\$30,817
Medicare	39%	\$78,138
Commercial	30%	\$59,919
Self Pay	16%	\$31,126
Total	100%	\$200,000

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid (DOM) was provided a copy of this application for comment. The DOM states that outpatient services are paid based on a facility's cost to charge ratio, as outlined in the State Plan; consequently, any additional cost to DOM remains undetermined at this time. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

The project is in substantial compliance with the criteria and standards for the offering of Positron Emission Tomography services as contained in the FY 2012 *Mississippi State Health Plan*; the *Mississippi Certificate of Need Review Manual*, revised September 1, 2011; 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 Montfort Jones for the offering of PET services.

**ATTACHMENT I
 MONTFORT JONES MEMORIAL HOSPITAL
 OFFERING OF MOBILE PET SERVICES
 PROJECTED OPERATING STATEMENT (Project Only)**

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient			
Outpatient	\$ 200,000	\$ 210,000	\$ 231,000
Total Gross Patient Revenue	<u>\$ 200,000</u>	<u>\$ 210,000</u>	<u>\$ 231,000</u>
Charity Care	(\$ 24,000)	(\$ 25,200)	(\$ 27,720)
Deductions from Revenue	<u>(\$ 24,000)</u>	<u>(\$ 25,200)</u>	<u>(\$ 27,720)</u>
Net Patient Revenue	\$ 176,000	\$ 184,800	\$ 203,280
Other Operating Revenue			
Total Operating Revenue	<u>\$ 176,000</u>	<u>\$ 184,800</u>	<u>\$ 203,280</u>
Expenses			
Salaries***	\$	\$	\$
Benefits			
Supplies			
Services	132,600	132,600	132,600
Lease			
Depreciation			
Interest			
Other			
Total Expenses	<u>\$ 132,600</u>	<u>\$ 132,600</u>	<u>\$ 132,600</u>
Net Income (Loss)	<u>\$ 43,400</u>	<u>\$ 52,200</u>	<u>\$ 70,680</u>
Utilization			
Inpatient Day			
Outpatient Day			
Procedures	100	105	115
Charge Per Procedure	\$2,000	\$2,000	\$2,009
Cost Per Procedure	\$1,326	\$1,263	\$1,153