

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
NOVEMBER 2011**

**CON REVIEW: HG-NIS-0911-017  
MADISON HMA, LLC d/b/a MADISON RIVER OAKS HOSPITAL  
OFFERING OF MOBILE MRI SERVICES  
LOCATION: CANTON (MADISON COUNTY) MISSISSIPPI  
CAPITAL EXPENDITURE: \$-0-**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Madison HMA, LLC d/b/a Madison River Oaks Hospital is located at 161 River Oaks Drive, Canton, Madison County, Mississippi and a short-term 67-bed general medical/surgical, for-profit hospital. The hospital is a newly constructed replacement facility which offers a complement of general acute care services, such as; 24-hour emergency care, general surgery, orthopedics, women's services and obstetrics, pediatrics, neurology, urology, intensive care, laboratory, radiology, and diagnostic services. Madison River Oaks is certified to participate in the Medicare and Medicaid programs and is listed in good standing with the Secretary of State's Office. Madison HMA, LLC is governed by the following board of trustees: Glen Silverman, Shea Sutherland, Teri Meadows, Joe Pinion, and Tim Parry.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Madison River Oaks Hospital, Canton are as follows for the years 2007, 2009, and 2010:

**Madison River Oaks Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2007	32.31	3.78	2.99
2009	26.08	3.22	2.70
2010	18.41	3.07	2.75

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

**B. Project Description**

Madison River Oaks requests Certificate of Need (CON) authority to offer magnetic resonance imaging (MRI) services at Madison River Oaks Hospital located in Canton, Madison County, Mississippi. The applicant will enter into a mobile service contract with P&L Contracting (“P&L”), of Batesville, Mississippi, a mobile MRI vendor. P&L is currently a CON approved provider/vendor of mobile MRI services and equipment.

The applicant proposes to be added to P&L’s existing mobile route. P&L will be providing a 1.5 Intera scanner or a scanner of comparable quality and capability, installed in a mobile unit and located at the hospital on Tuesday afternoon. The application contains a proposed imaging service agreement between the applicant and P&L Contracting.

The applicant indicates that no capital expenditure, construction, or renovation will be required to implement the project nor will it require any additional personnel. The applicant included a projected operating statement for the first, second, and third years of operation (See Attachment 1).

On September 8, 2011, the applicant received correspondence from the Division of Licensure and Certification asserting that the site at Madison River Oaks Hospital, Canton, Mississippi, is approved for the placement of a Mobile MRI diagnostic unit.

**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 5, 2011.

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

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

The *FY 2012 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, according to the *FY 2012 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.

As previously stated, the applicants will enter into a mobile service contract with P&L Contracting (“P&L”), of Batesville, Mississippi, a mobile MRI vendor. P&L propose to provide MRI services at the hospital on Tuesday afternoons from 1:30 p.m. through 5:30 p.m. According to the applicant, P&L Contracting performed 2,969 MRI procedures in 2010, and estimates 3,047 procedures for the next 12-month utilization period (9/2010 through 8/2011). The applicant further indicates that this route is expected to perform 3,594 procedures for the next 12-month utilization period, including projection of the proposed project and recently CON approved projects on this route.

According to the *FY 2012 State Health Plan*, facilities on P&L’s existing mobile MRI route performed a total of 3,270 procedures in 2010. The applicant submitted details regarding the proposed route to demonstrate that P&L produced a reasonable route which would accommodate the hospital’s need and exceeds the number of procedures required by this criterion (see table below).

The *State Health Plan* allows for applicants of non-hospital based facilities to submit affidavits from referring physicians. MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year. The application contained 10 affidavits signed by physicians attesting to a total of 97 to 121 MRI procedures per month that they refer to other facilities for a total of 1,164 to 1,452 procedures annually; however, this application is for MRI services at an existing hospital.

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

Year 1	Year 2	Year 3
247	936	1,404

According to the FY 2012 *Sate Health Plan*, there were 32.50 FTE units operating in General Hospital Service Area 5 during 2010, for an average of 2,342 procedures per unit (See the following table).

Facility Name	Location/Type of Equipment	Day(s)	# of Hours	*2009 No. of Procedures Performed	2010 No. of Procedures Performed	FTE Unit 2010
Central Ms. Diag	Hinds/F	Mon-Fri	45 hrs	2,503	2,312	1
Central Ms. Med Ctr	Hinds/F(1) M(1)	Mon-Fri	50+ hrs	5,574	5,454	2
Crossgates River Oaks Hosp	Rankin/F	Mon-Fri	40 hrs	2,072	2,103	1
Hardy Wilson	Copiah/M	Mon & Wed	hrs	363	392	04
King's Daughter Med Ctr	Yazoo/M	Tue	4 hrs	519	464	.10
Kosciusko Med Clinic	Attala/F	Mon-Fri	30 hrs	2,113	2,080	1
Madison Med Img	Madison/F	Mon-Fri	40 hrs	2,260	1,671	1
Madison Radiological Grp	Madison/F	Mon-Fri	40 hrs	2,103	2,170	1
Magee General Hosp	Simpson/F	Mon-Fri	40 hrs	1,093	1,032	1
Ms. Baptist Med Ctr	Hinds/F(2)	Mon-Sat	104 hrs	8,305	7,901	2
Ms Diagnostic Img Ctr	Rankin/F(2)	Mon-Fri	104 hrs	5,149	4,774	2
Ms. Sports Med & Orthopedic	Hinds/F(2)	Mon-Fri	100 hrs	3,736	2,348	2
Monfort Jones Mem Hosp	Attala	Mon-Fri	50 hrs	253	222	1
Open MRI of Jxn	Rankin/F	Mon-Fri	45 hrs	1,574	1,420	1
Ridgeland Diag Ctr	Madison/M	Mon & Wed	8 hrs	324	333	
River Oaks Hosp	Rankin/F	Mon-Fri	40 hrs	5,903	5,744	1
River Region Hlt Sys	Warren/F	Mon-Fri	56 hrs	3,155	2,390	1
SE Lackey Mem Hosp	Scott/M	W & F	16 hrs	634	540	.4
Scott Reg Hosp	Scott/M	Fri	AM	197	277	.2
Sharkey/Issaq Hosp	Sharkey/M	Wed	4 hrs	131	348	.10
Southern Diag Img	Rankin/F(2)	Mon-Fri	80 hrs	5,711	5,436	2
SMI Leake Mem Hosp	Leake/M	Tue	4 hrs	279	194	.10
SMI-Madison Spec Clinic	Madison/M	Tue & Thu	8 hrs	358	300	.4
SMI-Simpson Gen Hosp	Simpson/M	Thu	PM	154	136	.2
St. Dominic Hosp	Hinds/F(3) M(1)	Mon-Fri	195 hrs	13,018	12,276	4
University Hosp & Clinics	Hinds/F(5)	Mon-Sat	294 hrs	11,955	12,233	5
University Hosp Clinics	Holmes/M	Mon	8 hrs	473	351	.2
Vicksburg Diagnostic Imag	Warren/M	Mon-Fri	40 hrs	1,029	1,215	1
<b>Total</b>				<b>80,938</b>	<b>76,116</b>	<b>32.50</b>

~Source: 2012 State Health Plan

\* Updated information

F – Fixed M – Mobile

FTE – Full-time equivalent

The applicant submits the following data regarding P&L Contracting current and proposed route:

Facility Name/Location	2010 MRI Scans	Proposed MRI Scans	Day	Time
Yalobusha General, Water Valley	330	229	Mon	8:00 a.m. – 11:30 a.m.
Tallahatchie General, Charleston	<b>Pending</b>	<b>300</b>	Mon	1:30 p.m. – 5:00 p.m.
King's Daughter, Yazoo City	464	512	Tue	7:00 a.m. – 12:00 p.m.
^Madison River Oaks, Canton	Applicant	247	Tue	1:30 p.m. – 5:30 p.m.
South Sunflower, Indianola	482	490	Wed	7:30 a.m.– 11:30 a.m.
North Sunflower, Ruleville	268	351	Wed	1:00 p.m. – 5:00 p.m.
Tri-Lakes, Batesville	600	612	Thur	8:00 a.m. – 2:00 p.m.
P&L, Batesville	778	120	Thur	3:30 p.m. – 5:30 p.m.
Chicot Memorial, Lake Village	-	-	Fri	8:00 a.m. – 12:00 p.m.
Sharkey Issaquena, Rolling Fork	348	234	Fri	2:00 p.m. – 5:00 p.m.
Stone County, Wiggins	CON	77	Sat	8:00 a.m. – 12:00 p.m.
<b>TOTAL</b>	<b>3,270</b>	<b>3,172</b>		

^ Proposed facility to be added to existing route.

The applicant documents a reasonable population within its service area, Madison County. According to the *FY 2012 State Health Plan*, 253,823 MRI scans were performed in Mississippi during 2010 and the population projection for 2015 is 3,090,895; therefore, the Mississippi MRI use rate for 2012 is 82.10 MRI scans per 1,000 persons. The applicant submits that Madison County, with a population projection of 108,688, would expect to generate 6,170 MRI scans, according to MSDH's MRI need projection methodology.

**Population-Based Formula for Projection of MRI Service Volume**

**$X \cdot Y \div 1,000 = V$**

*Where, X = Applicant's Defined Service area population*

*Y = Mississippi MRI Use Rate*

*V = Expected Volume*

$$\frac{108,688 \text{ (Madison County's population)}}{1,000} \times 82.10 = 108.688$$

$$108.688 \times 82.10 \text{ (MS MRI use rate)} = 8,923.28$$

The applicant has demonstrated that the equipment will perform 2,700 procedures by the second year of operation. In accordance with Policy Statement Seven, the minimum service volume for the establishment of mobile MRI services shall be prorated on a "site-by-site" basis based on

the amount of time the mobile service will be operational at each site. The mobile service is proposed to be at Madison River Oaks, Canton Hospital for four hours per week, representing .10 FTE MRI units. Therefore, the minimum service volume for this location is 270 (2,700 x .1 FTE) scans per year. The applicant projects to perform 247 scans the first year and 936 scans their second year of operation.

Currently, there are four MRI providers in Madison County where the applicant proposes to provide services and has identified as its defined service area. These providers performed a total of 4,474 MRI procedures. Based on the formula above, there is a potential 4,449.28 additional scans that may be performed. Therefore, the applicant is in compliance with the need criterion.

**SHP Criterion 2 – Documentation of Diagnostic Imaging Modalities**

The applicant certifies that the Hospital currently provides a full range of radiology diagnostic imaging modalities, with the exception of angiography which is provided at River Oaks Hospital and Central Mississippi Medical Center.

**SHP Criterion 3 – Accessibility**

The applicant certifies that it does not have policies which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

**SHP Criterion 4 – Staffing**

The applicant affirms that a full-time, board eligible radiologist will be available for the interpretation of all MRI images. The application contains a curriculum vita for Joseph Oliver, M.D., who will serve as the medical director.

The applicant states that P&L Contracting will provide the full-time MRI technologist who will be on-site at all times.

**SHP Criterion 5 – Research Staffing**

The applicant affirms that the facility does not intend to use the MRI unit for experimental procedures.

**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 upon request.

### **SHP Criterion 7 – CON Approval**

The applicant affirms that it will not utilize the MRI equipment until obtaining a CON or written evidence from the Department that the equipment is exempt from CON approval; therefore, submits this application.

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

### **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 contained in the Manual.

#### **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 hospital seeks to improve the healthcare of Madison County residents and its patients. Furthermore, with the addition of MRI services at the Hospital it will enable them to reach this goal and provide its physicians with a modality to better diagnose and treat their patients. Therefore, the applicant considers the proposed project to be consistent with its long-range plans.

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

The applicant submits that two other alternatives were considered but rejected. The applicant states that the Hospital considered not providing MRI services but rejected this option because they would continue to provide acute care services without the benefit of this diagnostic modality on-site. This would cause the Hospital to continue transferring or transporting patients for scans. They also considered providing fixed MRI services. But, this alternative was rejected due to the current demand and start up nature of the Hospital, fixed services were cost prohibitive at this time. As a result, they opt to contract with a MRI provider, P&L Contracting. This option allows the Hospital to provide availability of MRI services for both the patients and doctors in the most cost efficient manner.

#### **GR Criterion 4 – Economic Viability**

Madison River Oaks contends that the charges are based on Medicare, Medicaid, and commercial insurance allowable charges. The applicant further states that profitability numbers for this project are not exceedingly high.

The applicant states that the projected number of scans is based on the affidavits attached to the application and procedure totals of other units. The applicant further states that utilization of the services will be similar to that experienced by other mobile providers.

The applicant contends that the cost of mobile MRI services to the Hospital is relatively low for the proposed half day a week of service; however, if the hospital fails to meet its projected revenue, HMA the Hospital's parent company, has sufficient capital to fund any shortfall.

It is the applicant's belief that the cost of healthcare should not be impacted and the charges to Medicare and Medicaid will be similar to other providers.

Staff concluded that the proposed project will be economically viable by the third year of operation.

#### **GR Criterion 5 – Need for Project**

The applicant submits that having MRI capabilities at the Madison River Oaks Hospital will allow all residents of the area to have access to MRI services. The applicant further submits that MRI scans at the facilities in the service area have slightly decreased over the last year but have still remained above the minimum requirements. Therefore, the applicant believes that the addition of the mobile services should not significantly impact the facilities. Furthermore, while the approval of the new service will provide a new access point for MRI services in Madison County, the proposed services will primarily treat the Hospital's patients.

According to the *2012 State Health Plan*, there are four facilities in Canton, Madison County, Mississippi offering MRI services.

The application contains thirty-nine letters of support for the proposed project.

The Department did not receive any letters of opposition concerning the proposed project.



**GR Criterion 6 – Access to the Facility or Service**

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 will have access to the services proposed.

**GR Criterion 7 – Information Requirement**

The applicant affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of proper request.

**GR Criterion 8 – Relationship to Existing Health Care System**

The applicant submits that there are other MRI services available in GHSA 5; however, the services proposed are not at a freestanding facility. The applicant states that the MRI will be used primarily for the treatment of Hospital patients.

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

**GR Criterion 9 - Availability of Resources**

The applicant documents that no new personnel is anticipated, as a result of this proposed project.

**GR Criterion 16– Quality of Care**

Madison River Oaks Hospital has been providing services at its new location for approximately three months, and 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 ANALYSIS**

**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**

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

The applicant projects 247 MRI procedures will be performed the first year, 936 the second year, and 1,404 MRI procedures the third year of operation. The cost and charge per scan will be \$428 and \$2,423 the first year, respectively.

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows (based on gross patient revenue):

Patient Mix by Payor	Utilization Percentage	First Year Cost
<b>Medicare</b>	59%	\$370,500
<b>Medicaid</b>	20%	\$123,500
<b>Commercial</b>	14%	\$86,450
<b>Self Pay</b>	1%	\$6,175
<b>Charity Care</b>	2%	\$12,350
<b>Other</b>	<u>5%</u>	<u>\$30,875</u>
<b>Total</b>	<b>100%</b>	<b>\$629,850</b>

**V. RECOMMENDATION 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 ration, 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**

This project is in compliance with the criteria and standards for the offering of fixed or mobile MRI services as contained in the *FY 2012 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 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 Madison River Oaks Hospital for the establishment of mobile MRI services provided by P&L Contracting.

**ATTACHMENT 1  
 MADISON RIVER OAKS HOSPITAL  
 PROJECTED OPERATING STATEMENT (Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Gross Patient Care Revenue	\$629,850	\$2,506,140	\$3,947,171
Deduction From Revenue	(\$508,573)	(\$2,036,284)	(\$3,224,554)
Charity/Indigent Care	(\$12,350)	(\$49,140)	(\$77,396)
<b>Total Deductions</b>	<b>(\$520,923)</b>	<b>(\$2,085,424)</b>	<b>(\$3,301,950)</b>
Net Patient Care Revenue	\$108,927	\$420,716	\$645,221
<b>Total Operating Revenue</b>	<b>\$108,927</b>	<b>\$420,716</b>	<b>\$645,221</b>
<b>Operating Expenses</b>			
Supplies	\$24,700	\$93,600	\$140,400
Services	\$80,275	\$304,200	\$456,300
Other	\$750	\$1,000	\$1,250
<b>Total Operating Expense</b>	<b>\$105,725</b>	<b>\$398,800</b>	<b>\$597,950</b>
<b>Net Operating Income</b>	<b>\$3,202</b>	<b>\$21,916</b>	<b>\$47,271</b>
<b>Assumptions</b>			
Number of Scans	247	936	1,404
Charge per Scan	\$2,423	\$2,544	\$2,671
Cost per Scan	\$428	\$426	\$426