

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
NOVEMBER 2006**

**CON REVIEW: MU-NIS-0906-027
PREFERRED IMAGING, LLC, d/b/a PREFERRED IMAGING - QUITMAN
OFFERING OF MOBILE MRI SERVICES
CAPITAL EXPENDITURE: \$500
LOCATION: QUITMAN COUNTY HOSPITAL
MARKS (QUITMAN COUNTY) MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Preferred Imaging, LLC d/b/a Preferred Imaging-Quitman is a Mississippi limited liability company, located in Batesville, Mississippi. The entity is in good standing with the Mississippi Secretary of State and is presently governed by a two-member Board.

B. Project Description

Preferred Imaging, LLC requests Certificate of Need (CON) authority to provide mobile magnetic resonance imaging (MRI) services one-half day per week at Quitman County Hospital, Marks, Mississippi (Preferred Imaging-Quitman). The applicant also has requested, by separate application, authority to provide MRI services at North Sunflower County Hospital, Ruleville, Mississippi, and will be an equipment vendor at other locations. Preferred Imaging, LLC proposes to service two hospitals each day.

The proposed project will not require any construction or renovation costs to establish the MRI services. According to the applicant, the \$500 capital expenditure stated in the application is for other fees associated with the proposed project.

The proposed MRI equipment is a Philips 1.5 Intera MRI Scanner installed in a mobile unit that serves other locations. The applicant received exemption from CON review by the Division of Health Planning and Resource Development of the Mississippi Department of Health on August 23, 2006, for the equipment.

The Division of Health Facilities Licensure and Certification has approved the site of this project.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the offering of MRI services in accordance with Section 41-7-191, subparagraph 1(d)(xii) Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code of 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 December 5, 2006.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need (CON) 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 1,700 procedures per year using the procedures estimation methodology presented in the Plan. The 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 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 1,700 procedures annually.

As stated above, Preferred Imaging, LLC received CON exemption on August 23, 2006, to purchase a Philips 1.5 Intera MRI scanner that will serve Preferred Imaging - Quitman and other locations listed below.

Proposed Route

Facility/Location	County	2004 Procedures	FY 2005 Procedures	Projected Procedures Year 1
Preferred Imaging, LLC, Batesville	Panola	723	1,023	1,023
*Preferred Imaging, LLC-North Sunflower, Ruleville	North Sunflower	Proposed Facility	N/A	300
Preferred Imaging, LLC-Quitman, Marks	Quitman	APPLICANT	N/A	180
South Sunflower County Hospital, Indianola	South Sunflower	388	367	347
Yalobusha General Hospital-Water Valley	Yalobusha	463	463	416
Sharkey-Issaquena Community Hospital-Rolling Fork	Sharkey	134	161	161
Total		1,708	2,014	2,427

*Also requesting CON approval during this review cycle.

According to the applicant, on an annual basis, the equipment can be expected to perform 2,427 MRI procedures operating 6 days a week; which is well in excess of the 1,700 procedures required in the *State Health Plan* for additional MRI equipment. Preferred Imaging, LLC proposes to provide MRI services to Quitman County Hospital one-half day a week. The applicant proposes to provide service for two hospitals each day. The applicant states that the morning hours of 7:30 a.m. through 12:30 p.m. will be made available to the hospital guaranteeing at least six procedures within the morning hours. The afternoon hours of 2:00 p.m. through 5:30 p.m. will be available for the hospital that can guarantee at least four procedures during the afternoon hours of operation.

The application contained two affidavits from physicians projecting an approximate number of scans that could be referred per month and a letter from Quitman County Hospital's Administrator supporting the proposed project. Affidavits indicate a total of 180 scans will be referred on an annual basis.

Preferred Imaging further projects that it will perform 240, 300, and 360 MRI procedures during the first, second, and third year of operation at Quitman County Hospital, respectively.

Based on the projected procedures of 2,427, the applicant meets the 1,700 minimum required by this criterion.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Preferred Imaging, LLC certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available in the area at the time MRI services begin. These modalities include, without limitation, computer tomography (full body), ultrasound, angiography, nuclear medicine, and conventional radiology.

SHP Criterion 3 – Accessibility

Preferred Imaging, LLC certifies that within the scope of its available services, it will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or handicap.

SHP Criterion 4 - Staffing

Preferred Imaging, LLC certifies that a board-certified radiologist will be on site during hours of operation to provide interpretation of clinical images. The applicant further certifies that a trained MRI technologist will be available during hours of operation to compute MRI imaging methods and any other required staff. The application contains resumes' of potential staff members.

SHP Criterion 5 – Research Staffing

Preferred Imaging, LLC affirms that the facility does not plan to conduct experimental procedures; however, should the facility decide to do so in the future, the facility will comply with the procedures set forth in this criterion.

SHP Criterion 6 – Data Requirement

Preferred Imaging, LLC affirms that it will record and maintain, at a minimum, the information required in this criterion regarding charity care, care to the medically indigent, and Medicaid populations and will make required information available to the Mississippi Department of Health within 15 days of request.

SHP Criterion 7 – CON Approval

Preferred Imaging, LLC Batesville, the mobile MRI equipment vendor, has received approval from the Mississippi Department of Health for the acquisition and control of a Diamond Select Intera Power 1.5T mobile magnetic resonance imaging (MRI) unit by a declaratory ruling dated August 23, 2006.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, 2006 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

According to the applicant, the facility has responded to the specific criteria and standards in the *State Health Plan* applicable to offering of MRI services. The proposed project is in substantial compliance with the criteria and standards for the offering of MRI services as contained in the *State Health Plan*.

GR Criterion 2- Long Range Plan

Preferred Imaging, LLC, states that their mission is to provide state of the art equipment and treatment modalities to the citizens of the medical trade area. The applicant further states that the proposed project is consistent with the development plan to offer high quality patient care and access to needed medical services.

GR Criterion 3- Availability of Alternatives

According to Preferred Imaging, other alternatives were considered before determining to proceed with the proposed project. The two alternatives that were considered are as follows:

Maintain the Status Quo: The applicant contends that this alternative, to continue referring patients to other providers for MRI services, ignores the needs of the community that the hospital serves.

Purchase a fixed MRI unit: The applicant states that this alternative was rejected because of cost efficiency. Contracting for mobile MRI services meets the needs of the community at a much reduced cost.

According to the applicant, the proposed project is the result of planning and identifying long range goals for Preferred Imaging - Quitman, and the community it serves. The applicant states that the proposed project is the most efficient and cost effective method of meeting the community needs.

GR Criterion 4- Economic Viability

The applicant asserts that the proposed charges will be comparable to those charges established by other facilities for similar services within the service area.

The applicant states that as estimated by the medical staff, the projected level of utilization is reasonably consistent with those experienced by similar facilities within the service area and state.

Based on the applicant's three year projected operating statement, this project will be economically viable. The applicant projected a net operating income of \$254,350 the first year, \$326,325 the second year, and \$398,550 the third year.

The applicant states that the charge will be \$1,600 per MRI scan and the cost of \$325.00 per scan. The applicant's proposed costs and charges are reasonable, compared to similar providers.

According to the applicant, the projected level of utilization is consistent with the need level of the service area. The application contains a letter from Quitman County Hospital supporting the proposed project. Also, the projected utilization is comparable to similar facilities within the service area. The applicant projects the first year of service will produce 240 procedures, 300 procedures the second year, and 360 procedures the third year.

GR Criterion 5 – Need for the Project

According to the applicant, the need for the proposed project is based on historical and projected MRI referrals of Quitman County Hospital's medical staff.

The applicant states that the proposed project is the most efficient and cost effective method of meeting the community need. The applicant further states that offering mobile MRI service one day per week is crucial to ensuring accessibility and continuity of care, efficient and rapid delivery of health care services, and convenience to residents in the service area.

The proposed facility, Quitman County Hospital, is the only hospital in Quitman County and is not in competition with any other existing health care facilities.

The application contains several letters of endorsement from Quitman County Hospital's Administrator and referring physicians.

GR Criterion 6- Access to the Facility

Preferred Imaging affirms that services will be provided to the residents in the proposed service area without regard to race, ethnicity, sex, age,

religion, or handicap. The applicant further affirms that MRI services will be made accessible to Medicare, Medicaid, and medically underserved patients.

GR Criterion 7 – Information Requirement

Preferred Imaging affirms that it will record and maintain, at a minimum, the following information regarding charity care, care to the medically indigent, and Medicaid populations and will make such information available to the Mississippi Department of Health within 15 days of a request from the Department as noted in this criterion.

GR Criterion 8 – Relationship to Existing Health Care System

The applicant states that this proposal involves an enhancement to the services Preferred Imaging - Quitman will provide to the community. The applicant further states that offering of MRI services is crucial to ensuring accessibility and continuity of care, efficient and rapid delivery of health care services, and convenience to residents in the service area.

Preferred Imaging - Quitman is located in General Hospital Service Area 2 (GHSA2). According to the *State Health Plan*, GHSA 2 had a total of 9 operational MRI providers, mobile and fixed, serving 11 locations, in FY 2004. Also, during FY 2004 two additional CONs were authorized to provide mobile MRI services.

According to the FY 2006 *State Health Plan*, there were nine existing providers and locations of MRI services operating in GHSA 2 in FY 2004 and two additional authorized CONs to provide mobile services. The existing and authorized providers performed a total of 17,825 procedures utilizing 9.8 FTE MRI units. This is equivalent to an average of 1,818 procedures per unit. Updated procedures from an MRI survey conducted for calendar year 2005 indicate that 11 providers utilizing 9.8 FTE MRI units performed 20,121 procedures, for an average of 2,053 procedures per FTE MRI unit.

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

Facility	Location	Type/No. of Equipment	Number of Procedures FY 2003	Number of Procedures FY 2004	*Number of Procedures FY 2005	Days of Operation	FTE Unit
Baptist Memorial Hospital-DeSoto	Southaven	F(2)	3,932	4,973	5,268	M-F	2
Bolivar Medical Center	Cleveland	F	2,634	2,602	1,611	M-F	1
Carvel Imaging	Olive Branch	F	2,158	2,933	3,326	M-F	1
Delta Regional Medical Center	Greenville	F(2)	1,463	1,544	2,543	M-F	2
Greenwood Leflore Hospital	Greenwood	F	3,248	3,195	3,596	M-F	1
King's Daughters Hospital	Greenville	M	470	674	282	M-F	1
Northwest MS Regional Medical Center	Clarksdale	M	1,110	1,233	2,264	M-F	1
South Sunflower County Hospital	Indianola	M	CON	388	347	W (AM)	0.2
SMI-Tyler Holmes Memorial Hospital	Winona	M	-	CON	75	M	0.2
Southaven Diagnostic Imaging, LLC	Southaven	M	-	CON	390	W	0.2
University Hospital Clinics	Lexington	M	201	283	419	W	0.2
Total			15,216	17,825	20,121	-	-
Full Time Equivalent Units			9.4	9.8	9.8	-	-
Average Number of Procedures/per FTE Unit			1,618	1,818	2,053	-	-

Source: FTE – Full Time Equivalent Units

F/M – Fixed/Mobile MRI unit

*Updated Procedures from MRI survey conducted for calendar year 2005.

GR Criterion 9 – Availability of Resources

Preferred Imaging affirms that the proposed service will be staffed by current medical staff physicians and personnel. According to the applicant, the facility will add one new employee as a result of this proposed project to assist with scheduling and other clerical duties.

GR- Criterion 10 – Relationship to Ancillary or Support Services

Preferred Imaging states that they will not have any adverse effect on ancillary or support services.

GR Criterion 16 – Quality of Care

The applicant will be a new provider of MRI service.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Capital Improvements	-
Fixed Equipment	-
Non-Fixed Equipment	-
Land Cost	-
Site Preparation	-
Fees (Architectural, Consultant, etc)	\$500
Contingency Reserve	-
Capitalized Interest	-
Total Proposed Capital Expenditure	<u>\$500</u>

According to the applicant, the proposed project will not require any new construction or renovation. The capital expenditure of \$500.00 is for consultant fees.

B. Method of Financing

Preferred Imaging intends to finance the proposed project's capital expenditure from accumulated cash reserves.

C. Effect on Operating Costs

The three-year projected operating statement for Preferred Imaging-Quitman is provided in Attachment 1. The applicant's projections include: expenses, utilization, and results from operation for the first three years following completion of the proposed project. The applicant projects net increase of \$254,350, \$326,325, and \$398,550 in the first, second, and third years, respectively.

D. Cost to Medicaid/Medicare

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

Patient Mix by Payor	Utilization Percentage	First Year Expense
Medicaid	40%	\$51,860
Medicare	45%	\$58,342
Other/Private Pay	15%	\$19,447
Total	100%	<u>\$129,650</u>
Preferred Imaging projects that 5% of gross patient revenues will be provided to medically indigent patients.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services will be paid as outlined in the Medicaid State Plan. The Division does not oppose the application.

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 2006 *Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, August 12, 2006 revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Preferred Imaging, LLC, d/b/a Preferred Imaging – Quitman to provide mobile MRI services at Quitman County Hospital, Marks one-half day per week.

ATTACHMENT 1			
Preferred Imaging - Quitman			
Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Gross Patient Care Revenue	\$384,000	\$480,000	\$576,000
Operating Expenses			
Salaries and Benefits	\$20,800	\$22,000	\$23,200
Lease Expense	9,000	9,000	9,000
Other Direct Expenses	\$78,000	\$97,500	\$117,000
Other Indirect Expenses	\$21,850	\$25,175	\$28,250
Total Operating Expense	<u>129,650</u>	<u>153,675</u>	<u>177,450</u>
Net Operating Income	<u>\$254,350</u>	<u>\$326,325</u>	<u>\$398,550</u>
Assumptions			
Charge per Scan	\$1,600	\$1,600	\$1,600
Cost per Scan *	325	325	325
Number of Scans	240	300	360
Cost per Scan **	540	512	493

Note: * Applicant calculation for cost per scan.

** Staff calculation for cost per scan.