

**MISSISSIPPI DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 2007**

CON REVIEW FSF-A-0407-008

**MISSISSIPPI BAPTIST HEALTH SYSTEMS, INC. D/B/A BAPTIST MADISON
IMAGING CENTER**

**AMENDMENT OF CON # R-0551 (ACQUISITION/OFFERING OF MRI EQUIPMENT/
SERVICES) TRANSFER OF CON TO MADISON RADIOLOGICAL GROUP, LLC**

APPROVED CAPITAL EXPENDITURE: \$1,870,000

REVISED CAPITAL EXPENDITURE: \$1,885,000

ADDITIONAL CAPITAL EXPENDITURE: \$15,000

LOCATION: MADISON, MADISON COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mississippi Baptist Health Systems, Inc. (MBHS) is a Mississippi not-for-profit corporation, which owns Mississippi Baptist Medical Center (Baptist). MBHS has a 15-member Board of Trustees and 3 corporate officers.

Madison Radiological Group, LLC, (formerly known as Madison Imaging Center, LLC), is a Mississippi limited liability company consisting of a four-member board of managers.

MBHS holds 50% ownership of Madison Radiological Group, LLC (MRG), including 50% of voting and profits interest and also has the right to designate and/or approve two of the four-member board of managers of MRG. The Radiological Group, PA, a group practice of radiologists, is the other 50% owner/member of MRG. MBHS will also be MRG's landlord for the Center, will give substantial guidance to MRG, and have substantial input into the policies and procedures relative to the operation of the Center and relative to the management/operation of the CON #R-0551 which authorized MRI services at the Center.

B. Project Background

MBHS obtained CON authority to provide MRI services at Madison Imaging Center, Madison, Mississippi by CON #R-0551, which was issued on June 27, 2002. The Center is located in a medical office building in Madison, Mississippi, which was built by and is now owned by MBHS. MRG leases space for the Center from MBHS at fair market value rent on commercially reasonable terms negotiated at arms length between MRG and MBHS.

The original CON application, filed on March 1, 2002, proposed that MBHS would purchase a General Electric 1.5 Tesla Signa High Speed MRI unit mounted in a Calumet Coach in order to provide mobile MRI. The original CON authorized MBHS to provide MRI services at both Baptist Medical Center and at an imaging center in the medical arts office building owned by MBHS in Madison. That equipment was leased from G.E. Medical and placed into service in December 2002 at the Baptist Medical Arts location. The original CON also contemplated MBHS operating the Center. However, MBHS recently decided to enter into a joint venture arrangement with a group of radiologists, The Radiological Group, P. A. Together, MBHS and The Radiological Group, P.A. formed Madison Imaging Center, LLC (which has subsequently changed its name to Madison Radiological Group, LLC). MBHS' capital

contribution to MRG included the right to use MBHS' authority to provide MRI services in Madison County, subject to a right of reverter of such authority to MBHS in any event of dissolution of MRG. MRG owns a Hitachi Altaire 0.7 Tesla Open MRI unit which is the equipment to be used to provide MRI services at the Center.

MRG, previously known as Madison Imaging Center, LLC, holds determinations of non-reviewability for the construction, equipping and operation of the Center at MBHS' medical office building in Madison, Mississippi (dated January 18, 2007), and for the acquisition of the Hitachi Altaire 0.7 Tesla Open MRI unit (dated December 20, 2006).

In March 2007, MBHS received authorization by determination of non-reviewability to convert from mobile MRI services to fixed MRI services at the Madison Imaging Center, using the Hitachi Altaire .0.7 Tesla Open MRI unit owned by MRG. Several agreements exist between MBHS and MRG, including an equipment lease, a space sub-lease, and an operating agreement. According to the applicant, under those arrangements MBHS retains all rights to its authority to provide MRI services in Madison at the Center as authorized in CON #R-0551 issued June 27, 2002.

C. Project Description

By this CON amendment, MBHS proposes that authority to operate the Madison County MRI service be transferred to MRG as provider of MRI services in Madison, County. This amendment proposes that the entity authorized to provide such MRI services will be the new joint venture between MBHS and The Radiological Group, P.A., which is Madison Radiological Group, LLC. The result of the CON amendment would be that Madison Radiological Group LLC will be the provider of MRI services at the Center in Madison County.

The Mississippi Department of Health, Division of Health Facilities Licensure and Certification, approved the original site for the proposed project.

The amendment does not require additional facility staffing. The applicant anticipates that the project will be implemented immediately after the amendment is granted.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed under the applicable statutory requirements of Section 41-7-173; 41-7-191 (1) (d)(xii), (f), and (j); and 41-7-193, Mississippi Code of 1972, as amended.

The State Health Officer reviews all projects for amendments and cost overrun in accordance with duly adopted procedures 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 on June 14, 2007.

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

A. State Health Plan (SHP)

The original application was in substantial compliance with the overall objectives of the *Plan* in effect at the time of submission. The amendment/cost overrun project continues to be in compliance with the *State Health Plan*.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual (November 12, 2006, as amended)*, addresses general criteria by which all applications for Certificate of Need are reviewed. This project was in substantial compliance with general review criteria at the time of original submission, and continues to be in substantial compliance with said criteria.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approval	Revised Capital Expenditure	Increase/ (Decrease)
New Construction	\$0	\$0	\$0
Renovation	0	0	0
Fixed Equipment	1,870,000	1,870,000	0
Non-Fixed Equipment	0	0	0
Land Cost	0	0	-0-
Fees (Architectural, Consultant, etc.)	0	5,000	5,000
Contingency Reserve	0	10,000	10,000
Capitalized Interest	0		
Total Capital Expenditure	\$1,870,000	\$1,885,000	\$15,000

The original capital expenditure of \$1,870,000 was allocated to fixed equipment. The applicant states that \$1,850,000 was expended by April 18, 2006, and that the capital expenditure amounts listed above were previously authorized in June 27, 2002, CON #R-0551, or found to be exempt from CON in December 2006 and January 2007 determination of non-reviewability rulings. According to the applicant, no increases in these previously authorized capital expenditure amounts will occur as a result of this amendment.

B. Method of Financing

According to the applicant, the additional expenditures allocated to this project have already been obligated due to determinations filed with the department. Therefore, no financing is required for the amendment.

C. Effect on Operating Cost

The applicant's projected three-year operating statement, including revenue, expenses, net income, and utilization during the first three years of operation is presented in Attachment 1.

D. Cost to Medicaid/Medicare

The cost of the proposed project to the various payors is listed below:

Payer Mix	Utilization Percentage	Revised Cost for First Year
Medicaid	1%	\$8,946
Medicare	17%	\$152,073
Other Payers	82%	\$733,530
Total	100%	\$894,549

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid received a copy of this amendment/cost overrun application for comment. No written comments were received.

VI. CONCLUSION AND RECOMMENDATION

The project was in substantial compliance with the overall objectives as contained in the *FY 2002 State Health Plan*; the *Mississippi Certificate of Need Review Manual*, revised 2000, and all adopted rules, procedures and plans of the Mississippi Department of Health. The project is a change in scope from the original project, but does not change the overall objectives.

The Division of Health Planning and Resource Development recommends approval of this application for the transfer of CON #R-0551 (which authorized the provision of MRI services at Madison Imaging Center in Madison County), from Mississippi Baptist Health Systems, Inc. to Madison Radiological Group, LLC.

**Mississippi Baptist Health Systems, Inc./Madison
 Radiological Group, P.A.
 Madison County MRI Service
 Three-Year Projected Operating Statement**

	Year 1	Year 2	Year 3
Revenue			
Gross Patient Revenue	\$2,486,052.00	\$2,765,484.00	\$3,076,325.00
Service Revenue:			
Charity/Indigent Care	(49,721.04)	(55,309.68)	(61,526.50)
Contractual Adjustments	(1,178,803.35)	(1,251,300.45)	(1,458,690.94)
Provision for Bad Debt	(74,581.56)	(82,964.52)	(92,284.75)
Total Deductions	(1,303,105.95)	(1,389,574.65)	(1,612,502.19)
Net Patient Service Revenue	\$1,182,946.05	\$1,375,909.35	\$1,463,822.81
Expenses			
Salaries and Benefits	\$ 114,816.00	\$ 119,408.00	\$ 124,184.00
Supplies	84,947.00	87,496.00	90,121.00
Other Direct Expenses	16,000.00	317,580.00	318,692.00
Administration and General	319,043.00	354,904.00	394,795.00
Other Indirect Expenses	89,600.00	92,288.00	95,057.00
Depreciation	270,143.00	270,143.00	270,143.00
Interest			
Lease			
Total Expense	\$ 894,549.00	\$1,241,819.00	\$1,292,992.00
Net Operating Income	\$ 288,397.05	\$ 134,090.35	\$ 170,830.81
Assumptions			
Number of Scans	1,657	1,790	1,933
Treatments (Procedures)/Patient	1	1	1
Avg. Cost/Treatment (Procedure)	\$ 539.86	\$ 693.75	\$ 668.90
Avg. Charge/Treatment (Procedure)	\$ 1,500.33	\$ 1,544.96	\$ 1,591.48