

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2005**

CON Review FS-NIS-1204-048
Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging Center
Establishment of Mobile MRI Services
Capital Expenditure \$ -0-
Location: Southaven, Mississippi

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging Center is a for-profit, Mississippi Limited Liability Company authorized to do business in the State of Mississippi. Southaven Diagnostic Imaging, LLC (SDI) is a closely held member-managed company having two members at the time of this application. Therefore, members of the community do not serve as managers or members of the governing board, other boards or committees, advisory boards or groups, or other representative forums.

B. Project Description

Southaven Diagnostic Imaging requests Certificate of Need (CON) authority for offering of mobile MRI services. SDI proposes to establish mobile MRI services through the use of mobile MRI equipment, and to become part of an already established route. The applicant proposes to provide mobile MRI services through a contractual agreement with Insight Health Corp at the facility in Southaven, Mississippi. The MRI unit will be located at SDI, a freestanding facility, one day per week. No construction, renovation, or capital expenditure will be needed to institute the mobile MRI services. The proposed mobile MRI unit is a GE 1.5 LX High Speed system. No fixed or non-fixed equipment will be purchased or leased under the application. SDI will enter into a contractual agreement with Insight Health Corp for the provision of this service.

No additional site work will be necessary for the implementation of this proposed mobile service. The approval of the site for the provision of MRI services has been acquired previously. However, because no MRI services were provided, SDI submitted another request to the Mississippi State Department of Health to confirm approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of mobile magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d)(xii), and (f) 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 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 March 7, 2005.

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

A. State Health Plan (SHP)

The FY 2005 State Health Plan addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to provide MRI services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the Provision of Mobile Magnetic Resonance Imaging Services.

SHP Criterion 1 - Need

The route SDI will join has been served by equipment that has performed more than 1700 scans annually. The 1700 scans per year minimum need requirement is already met by the existing route. SDI proposes to generate more than 292 additional scans in the first year, increasing this utilization in future years. The need in this area is further documented by the support of physicians who plan to refer patients to the SDI facility, and the recent trends in MRI utilization.

The applicant contends that there is a strong need for additional MRI services in the growing Southaven, Mississippi area as evidenced by the growing utilization by both existing service providers in DeSoto County. The objective of this proposal is to provide the citizens of DeSoto County and neighboring communities with timely and convenient MRI services. The proposed project is widely supported by various segments of the physician community. The application includes affidavits from five physicians and two Letters of Support.

Baptist Memorial Hospital-DeSoto and DeSoto Diagnostic Imaging, LLC, an affiliate of SDI, are the only existing MRI service providers in DeSoto County and are operating within optimum levels. SDI does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto as the result of this one-day-per-week service.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

SDI certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time the mobile MRI services begin. Among these modalities are computed tomography, ultrasound, angiography, nuclear medicine, and conventional radiology.

SHP Criterion 3 - Accessibility

SDI certifies that no facility under its scope of ownership or affiliation and personnel with which it participates has policies or procedures which would exclude patients because of race, color, age, sex, ethnicity or ability to pay.

SHP Criterion 4 - Staffing

SDI certifies that it will employ a Director who will be a full-time, board eligible radiologist or nuclear medicine imaging physician, or other board eligible licensed physician whose primary responsibility during the prior three years has been in the acquisition and interpretation of clinical images. The Director shall have a knowledge of MRI through training, experience, or documented postgraduate education. This application has a physician's Curriculum Vitae included that meets these requirements.

SDI expects to contract with Insight Health Corp for mobile MRI services for the facility. Under the terms, Insight Health will provide a full-time MRI technologist-radiographer or a person who has had equivalent education, training, and experience, who shall be on-site at all times during operating hours. This person is required to have experience in computer tomography or other cross-sectional imaging methods, or to have equivalent training in MRI spectroscopy. Also, SDI does not anticipate using the mobile MRI or facility for experimental procedures.

SHP Criterion 6 - Data Requirement

The applicant affirms that it will record and maintain the requested information and make it available to the Mississippi State Department of Health.

SHP Criterion 7 - CON Approval

Insight Health is a current MRI equipment vendor in Mississippi and is Certificate of Need approved for mobile MRI equipment in the state.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, revised May 13, 2000, addresses general criteria by which all CON applications are reviewed.

GR Criterion 2 - Long Range Plan

The Southaven Diagnostic Imaging has a long range plan to provide state-of-the-art equipment and treatment modalities to the patients in its service area. The proposed project is consistent with this plan as it will provide increased access to patients in need of quality care and treatment services.

GR Criterion 3 - Availability of Alternatives

SDI considered seeking approval for and purchasing a fixed MRI unit. This alternative would be cost prohibitive at this time and a mobile unit offers the most efficient and effective means by which to serve the patients in the community.

GR Criterion 4 - Economic Viability

The proposed charges for MRI scans at the Southaven Diagnostic Imaging facility will be comparable to those charges established by other facilities for similar services within the service area and state. Based on the applicant's three year projections, this project will be economically viable. The first three years projected net income will be \$66,077, \$75,612 and \$75,226, respectively.

GR Criterion 5 - Need for Services

SDI will provide service to and will not discriminate against those patients having low incomes, racial and ethnic minorities, women, handicapped persons and other under served groups, and the elderly.

There is a strong need for additional MRI services in the growing Southaven, Mississippi area as evidenced by the growing utilization by both existing service providers in DeSoto County. The objective of this proposal is to provide the citizens of DeSoto County and neighboring communities with timely and convenient MRI services. The facility will operate the MRI services only one day per week. This proposed project is widely supported by various segments of the physician community. The application includes affidavits from five area physicians.

DeSoto Diagnostic Imaging, LLC, a Medicare utilization imaging center with a fixed MRI unit, has experienced rapid growth since it began operation in 2000, and maintains high levels of utilization. This growth and increased utilization is evidences of the need for additional facilities in the area and also indicates the high level of support from the DeSoto County medical community. SDI submits that Baptist Memorial Hospital-DeSoto, the other provider of MRI services in DeSoto County has also seen growth in its utilization of MRI services in recent years.

GR Criterion 6 - Access to the Facility or Service

The applicant states that Southaven Diagnostic Imaging will be accessible by Medicare, Medicaid and medically indigent patients. However, due to the Division of Medicaid's current policy not to reimburse independent diagnostic facilities for procedures performed on Medicaid-primary patients, SDI will not participate in the Medicaid Program. The facility will either provide free care to Medicaid patients or ensure that Medicaid patients presenting with needs for MRI services are promptly referred to a facility participating in the Medicaid program. SDI confirms that it does not discriminate against and will provide access to the poor, physical handicapped, women, elderly, or members of racial and ethnic minorities.

The applicant projects the following number of procedures for the next three years of operation:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
# of procedures	292	328	328
Medicare utilization 37%	108	121	121

GR Criterion 7 - Information Requirement

The applicant confirms that it will record and maintain the requested information 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

SDI intends to provide the citizens of Southaven and neighboring communities with timely and convenient MRI services. As stated, Baptist Memorial Hospital-DeSoto and DeSoto Diagnostic Imaging, LLC, an affiliate of SDI, are the only existing MRI service providers in DeSoto County and are operating within optimum levels. Baptist Memorial Hospital-DeSoto operates one (1) fixed MRI unit and one (1) mobile MRI unit and DeSoto Diagnostic Imaging operates one (1) fixed MRI unit. SDI does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto or the eight other MRI providers in General Hospital Service Area2.

	<u>Type</u>	<u>Year 2002</u>	<u>Year 2003</u>
Carvel Diagnostic Imaging, Olive Branch	1 Fixed	1,730	2,158
BMH-DeSoto	1 Fixed 1 Mobile	3,727	3,932
Total		5,457	6,090

GR Criterion 9 - Availability of Resources

The applicant states that the proposed mobile MRI services will be provided by Insight Health Corp. SDI will have necessary radiologists to interpret the scans. All necessary radiology technicians will be provided under contract from Insight Health Corp. The managing member of SDI will ensure that the MRI services are properly implemented. The managing member also acts as the sole member of DeSoto Diagnostic Imaging currently providing services in Olive Branch, Mississippi. DeSoto Diagnostic Imaging has a fully staffed radiology clinic and has a satisfactory staffing history.

GR Criterion 10 - Relationship to Ancillary or Support Services

SDI affirms that their MRI services will not have any adverse effect on ancillary or support services.

GR Criterion 16 - Quality of Care

The applicant submits that Southaven Diagnostic Imaging provides high quality care. However, SDI has never provided MRI services in the past.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

There is no capital expenditure as a result of this project.

B. Method of Financing

No financing is required for this project.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years following completion of the project:

EXPENSES	YEAR 1	YEAR 2	YEAR 3
<i>SALARIES</i>	\$ 12,500	\$ 12,875	\$ 13,261
<i>UTILITIES</i>	\$ 1,800	\$ 1,800	\$ 1,800
<i>SUPPLIES</i>	\$ 4,760	\$ 5,347	\$ 5,347
<i>MOBILE MRI RENTAL</i>	<u>\$ 109,500</u>	<u>\$ 123,000</u>	<u>\$ 123,000</u>
TOTAL EXPENSES	<u>\$ 128,560</u>	<u>\$ 143,022</u>	<u>\$ 143,408</u>
GROSS PAT. REVENUE	\$ 437,358	\$ 491,278	\$ 491,278
CONTRACTUAL ADJ.	\$ -229,600	\$ -257,906	\$ -257,906
BAD DEBT CHARITY	<u>\$ -13,121</u>	<u>\$ -14,738</u>	<u>\$ -14,738</u>
TOTAL DEDUCTIONS	\$ -242,721	\$ -272,644	\$ -272,644
NET PAT. SVC. REV.	<u>\$ 194,637</u>	<u>\$ 218,634</u>	<u>\$ 218,634</u>
NET INCOME (LOSS)	<u>\$ 66,077</u>	<u>\$ 75,612</u>	<u>\$ 75,226</u>
NUMBER OF SCANS	292	328	328
TREATMENTS PER PAT.	1	1	1
NO. OF TREATMENTS	1	1	1
COST PER PROCEDURE	\$ 440	\$ 436	\$ 437
CHARGE PROCEDURE	\$ 1,498	\$ 1,498	\$ 1,498

* Applicant projects approximately 3.0 percent of gross revenue for bad debt patients, medically indigent patients and charity care patients.

D. Cost to Medicaid/Medicare

<u>Patient Mix by Type Payor</u>	<u>Utilization Percentage</u>	<u>First Year Expenses</u>
Medicaid	0.0%	\$ 0.00
Medicare	37.0%	\$ 47,567.20
Blue Cross	40.0%	\$ 51,424.00
Other 3 rd party payers	23.0%	\$ 29,568.80
Self Pay	<u>0.0%</u>	<u>\$ 0.00</u>
TOTAL	<u>100.0%</u>	<u>\$ 128,560.00</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. The Division of Medicaid took no position on this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with criteria and standards contained in the 2005 State Health Plan; the Certificate of Need Review Manual, revised 2000; and duly 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 Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging Center for offering of Mobile Magnetic Resonance Imaging services.