

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

**CON REVIEW: FS-NIS-0305-005  
NORTH MISSISSIPPI SPORTS MEDICINE AND ORTHOPAEDIC CLINIC, PLLC  
ESTABLISHMENT OF MRI SERVICES  
CAPITAL EXPENDITURE: \$ -0-  
LOCATION: TUPELO, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

North Mississippi Sports Medicine & Orthopaedic Clinic (NMSM) is a privately held, professional limited liability company authorized to do business in the state of Mississippi. North Mississippi Sports Medicine & Orthopaedic Clinic was formed April 22, 2002. NMSM consists of the following members:

William L. Rice, M.D.  
Kim D. Stimpson, M.D.  
Stephen R. Southworth, M.D.  
Kurt Thorderson, M.D.

The registered office of North Mississippi Sports Medicine & Orthopaedic Clinic, PLLC is located at:

105 South Front Street  
P.O. Box 7120  
Tupelo, Mississippi

NMSM provides a full range of orthopedic services and a sports medicine clinic. The clinic offers medical care to injured, infirm, aged and most often non-ambulatory patients in urgent need of treatment.

**B. Project Description**

North Mississippi Sports Medicine & Orthopaedic Clinic requests Certificate of Need (CON) authority for the offering of MRI services. NMSM proposes to establish MRI services through the lease of an extremities (shoulder, elbow, wrist, hand, hip, knee, foot and ankle) MRI from North Mississippi Medical Center, Tupelo (NMMC). NMMC proposes to purchase the E-Scan XQ Extremity MRI system and provide it to NMSM to offer the MRI service. The MRI equipment will be installed in a 340 square foot imaging suite in a 10,000 square foot NMSM clinic, which will offer easy access, convenient and timely imaging services for NMSM patients at a competitive rate. The application contains a copy of the MRI equipment agreement between NMSM and North Mississippi Medical Center. The applicant indicates that NMSM will also lease the MRI procedure room, control room and equipment room as well

as the primary 10,000 square foot clinic from NMMC at its Longtown site. The application contains a copy of the property lease agreement between NMSM and North Mississippi Medical Center. No construction, renovation, or capital expenditure will be needed to institute the MRI services.

No additional site work will be necessary for the implementation of this proposed MRI service. The site for NMMC's Longtown medical office complex, which will house NMSM proposed MRI services, has been approved previously.

North Mississippi Medical Center, Tupelo, was authorized by a Declaratory Ruling dated May 3, 2005, to purchase an E-Scan XQ Extremity MRI system.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of 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 June 6, 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.

#### **SHP Criterion 1 - Need**

An entity desiring to acquire or otherwise control MRI equipment, or offer MRI services, must document that the equipment shall perform a minimum of 1,700 procedures per year and the procedures estimation methodology shall be used to project the annual patient service volume for the applicant facility.

NMSM indicates that the need for the proposed project is based on the patient referrals for MRI services at NMSM and will be limited to patients of the clinic's four member physicians plus one non-member physician who recently joined the practice. The projected utilization of the NMSM's proposed MRI services is based on the following:

- Historical patterns of MRI referrals,
- Anticipated growth in the number of patients treated at NMSM,
- Addition of an orthopedic surgeon specializing in disorders and injuries of the foot, and
- Anticipated growth in the utilization of the extremities MRI as a diagnostic tool.

The applicant makes the following projections of MRI procedures to be performed during the first three years of operation:

**Projected MRI Procedures**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
1,750	1,838	1,929

NMSM projects an annual increase in volume of 5 percent for the proposed project.

According to **the FY 2005 State Health Plan**, there were 17 providers of MRI services operating 23 units in General Hospital Service Area 1. As reported in the **Plan**, the 23 units performed a total of 35,787 procedures in 2002 for an average of 1,556 procedures per unit. In 2003, the 23 units performed a total of 43,369 procedures, or an average of 1,886 procedures per unit, according to the **Plan** (see the following table).

**Location and Number of MRI  
 Procedures in General Hospital Service Area 1**

<b>Facility</b>	<b>Location</b>	<b>Type/No. of Equipment</b>	<b>No. of Procedures 2002</b>	<b>No. of Procedures 2003</b>
Baptist Mem. Hosp.	Booneville	M	561	566
Baptist Mem. Hosp. – Golden Triangle	Columbus	F(2)	4,014	4,804
Baptist Mem. Hosp. – North Mississippi	Oxford	F(2)	4,068	4,400
Baptist Mem. Hosp. – Union County	New Albany	F	2,119	2,069
Clay County Med. Ctr.	West Point	M	440	666
Gilmore Mem. Hosp.	Amory	M	1,195	1,295
Grenada Lake Reg. Med. Ctr.	Grenada	M	1,258	1,828
Health South Radiology Clinic	Columbus	F	838	1,135
Iuka Hospital	Tishomingo	M	564	653
Magnolia Regional Health Center	Corinth	F(2)	3,933	4,238
Medical Imaging and Diagnostics, LLC	Tupelo	F	CON	2,633
North Ms. Med. Ctr.	Tupelo	F(4)	15,339	16,622
Oktibbeha Co. Hosp.	Starkville	M	1,310	1,368
Preferred Imaging, LLC	Batesville	M	CON	680
Trace Regional Hosp.	Chickasaw	M	145	136
Tri Lakes Med. Ctr.	Batesville	M	3	0
Yalobusha Gen. Hosp.	Water Valley	M	CON	276
<b>Total</b>		<b>23</b>	<b>35,787</b>	<b>43,369</b>

Source: *FY 2005 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2003 and 2004, and Fiscal Years 2002 and 2003 Annual Hospital Reports.

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

The applicant provided a copy of a letter from North Mississippi Medical Center confirming that a full range of diagnostic imaging modalities and capabilities, offered by North Mississippi Medical Center, are available to patients of North Mississippi Sports Medicine & Orthopaedic Clinic. Available imaging modalities include, but are not limited to, full body MRI, CT scan, R & F, traditional x-ray, ultrasound, nuclear medicine and mammography. These services are located in NMMC facilities on its Tupelo campus in close proximity to the Longtown site and North Mississippi Sports Medicine Clinic.

### **SHP Criterion 3 - Accessibility**

NMSM states that all persons including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have and will have continued access to services at NMSM clinic.

### **SHP Criterion 4 - Staffing**

According to the applicant, NMSM will lease the services, including manpower, from NMMC. NMMC will provide technical staff to operate the MRI image service for North Mississippi Sports Medicine. The staff will originate from NMMC's radiology department. North Mississippi Medical Center serves as a clinical site for education of radiological technicians, many of which are employed following completion of the appropriate curricula.

### **SHP Criterion 5 – Research Staffing**

According to the applicant, NMSM holds the position that no experimental procedures are to be performed on the MRI unit.

### **SHP Criterion 6 - Data Requirement**

The applicant confirms 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**

NMSM proposes to lease an E-Scan XQ Extremity MRI system from NMMC for the proposed project.

North Mississippi Medical Center was authorized by a Declaratory Ruling dated May 3, 2005, to purchase an E-Scan XQ Extremity MRI system.

The applicant is in compliance with this criterion.

## **B. General Review (GR) Criteria**

Chapter 8 of the **Mississippi Certificate of Need Review Manual**, May 13, 2000, (as amended) addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

## **GR Criterion 2 - Long Range Plan**

According to the applicant, North Mississippi Sports Medicine & Orthopaedic Clinic, PLLC is the largest orthopedic practice in Tupelo and has a very large referral base witnessed by the relocating and enlargement of the clinic from 5,000 square feet to 10,000 square feet. The long range plan of NMSM is to provide affordable, state-of-the-art treatment for all patients.

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

According to the applicant, continued use of high strength, whole body, MRI units at NMMC and leasing a mobile MRI unit were considered and rejected. No less costly MRI option is available. Mobile services were considered, but the need is full time, not periodic. Continued use of full strength MRI's elsewhere in Tupelo was determined to be a hindrance to convenience and accessibility.

## **GR Criterion 4 - Economic Viability**

Based on the applicant's three year projections, this project will be economically viable. The projected net income will be \$79,344, \$144,978 and \$214,817 for year 1, year 2 and year 3, respectively.

The applicant indicates that the charge structure will be in the same general range as charges by other similar facilities in the services area.

NMSM asserts that the proposal introduces an "extremity" MRI to the array of technology available in north Mississippi, the comparison with other similar programs, with regard to utilization, is limited.

## **GR Criterion 5 - Need for Services**

NMSM asserts that MRI imaging offers perhaps the most useful information available for orthopedic patients. Care and treatment of patients at NMSM is non-discriminating.

According to the applicant, the projected number of first year MRI referrals from physicians is 1,750. Of that number, approximately 60 percent (or 1,050 procedures) will result due to performing MRI services currently being referred to alternate Tupelo MRI service locations. Approximately 40 percent of the projected annual MRI volume will be generated through a projected 25 percent increase in patient volume resulting from the addition of a fifth orthopedic surgeon specializing in foot disorders/injuries. A 35 percent increase in overall MRI utilization for the first year is projected for the proposed project.

The applicant submits that the objective of this proposal is to enable MRI procedures to be conducted within the NMSM physician clinic. This service, within

the clinic, will support faster, more comprehensive diagnoses with maximum patient convenience. The facility will operate the MRI services five days per week (Monday - Friday). The applicant asserts that this proposed project will be a private physician clinic service. Referrals will generally come from the applicant, however, other non-applicant physicians may refer patients for this service. The application includes five letters of support from orthopedic surgeons indicating the projected number of MRI procedures for the first year for the proposed project.

#### **GR Criterion 6 - Access to the Facility or Service**

As previously mentioned, the applicant states that all persons, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have and will have continued access to services at NMSM clinic.

The applicant estimates that 12 percent of gross charges are non-recoverable and considered charity care or bad debts. NMSM further estimated for the future MRI service, approximately 6 percent of gross charges will be applicable to the medically indigent and 1.5 percent to charity care.

#### **GR Criterion 7 - Information Requirement**

The applicant affirms that it will record and maintain the requested information stated in the above 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**

North Mississippi Sports Medicine and Orthopaedic Clinic, PLLC is located in General Hospital Service Area 1 (GHSA 1). According to the **FY 2005 State Health Plan**, in 2003 GHSA 1 had a total of 23 MRI units (mobile and fixed) serving 17 facilities, for an average of 1,886 procedures per unit.

#### **GR Criterion 9 - Availability of Resources**

The applicant states that the full-time equivalent (FTE) staff will come from the MRI technologists staff at North Mississippi Medical Center, which will be increased by 1.0 FTE to accommodate the new MRI service at Mississippi Sports Medicine & Orthopaedic Clinic, PLLC. The projected annual cost of the FTE staff is \$60,861.

#### **GR Criterion 16 - Quality of Care**

The applicant, North Mississippi Sports Medicine and Orthopaedic Clinic, PLLC will be a new provider of MRI services. NMSM submits that it has consistently provided the highest level of medical services, quality confirmed, in part, by patterns of referral and high patient volume.

**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:

<b>Expenses</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Salaries & Wages	\$ 45,760	\$ 47,590	\$ 49,494
Benefits	\$ 15,101	\$ 15,705	\$ 16,333
Housekeeping	\$ 425	\$ 425	\$ 425
General & Admin.	\$ 7,140	\$ 7,140	\$ 7,140
MRI Equipment Rent	\$ 988,750	\$ 988,750	\$ 988,750
Bad Debts	\$ 25,830	\$ 27,377	\$ 29,022
<b>Total Expenses</b>	<b>\$1,083,006</b>	<b>\$1,086,987</b>	<b>\$1,091,164</b>
Gross Pt. Revenue	\$1,722,000	\$1,825,134	\$1,934,787
Deductions (-)	\$ (559,650)	\$ (593,169)	\$ (628,806)
<b>Net Patient Revenue</b>	<b>\$1,162,350</b>	<b>\$1,231,965</b>	<b>\$1,305,981</b>
<b>Net Income</b>	<b>\$ 79,344</b>	<b>\$ 144,978</b>	<b>\$ 214,817</b>

Number of Scans	1,750	1,838	1,929
Cost/Scan	\$ 619	\$ 591	\$ 566
Charge/Scan	\$ 984	\$ 993	\$ 1,003



**D. Cost to Medicaid/Medicare**

<u>Patient Mix by Type Payor</u>	<u>Utilization Percentage</u>	<u>First Year Cost</u>
Medicaid	7.0%	\$75,810
Medicare	26.0%	\$281,582
Blue Cross	20.0%	\$216,601
Other 3 <sup>rd</sup> party payors	38.0%	\$411,542
Self Pay	<u>9.0%</u>	<u>\$97,471</u>
<b>TOTAL</b>	<b><u>100.0%</u></b>	<b><u>\$1,083,006</u></b>

Applicant projects approximately 1.5 percent of gross revenue for bad debt patients, 6 percent for medically indigent patients and 1.5 percent for charity care patients.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review; however, no comments were received.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the offering of MRI services, as contained in the **FY 2005 State Health Plan**, the **Certificate of Need Review Manual**, revised 2000; 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 North Mississippi Sports Medicine and Orthopaedic Clinic, PLLC for offering of magnetic resonance imaging service.