

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MAY 2009**

**CON REVIEW: HG-NIS-1208-043  
SOUTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER  
OFFERING OF MOBILE POSITRON EMISSION TOMOGRAPHY (PET) SERVICES  
CAPITAL EXPENDITURE: \$-0-  
LOCATION: MCCOMB, (PIKE COUNTY), MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Southwest Mississippi Regional Medical Center (SMRMC) is a not-for-profit, public acute care hospital owned jointly by Pike County, the City of McComb, and Supervisor Districts Four and Five of Amite County, Mississippi. The medical center is governed by a seven-member Board of Trustees appointed by the mayor of the City of McComb, the McComb Board of Selectmen, or the Boards of Supervisors from their respective counties.

SMRMC consists of 150 short-term acute care beds which includes 10 adult psychiatric/geriatric beds and 20 Level II comprehensive medical rehabilitation beds.

The occupancy rates, average length of stay (ALOS), and Medicaid utilization rates for Southwest Mississippi Regional Medical Center are as follows for the three most recent fiscal years:

**Southwest Mississippi Regional Medical Center  
Utilization Data**

<b>Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2006	69.95	4.23	20.00
2007	57.04	3.49	27.00
2008	47.05	3.69	29.00

**Source:** Division of Health Facilities Licensure and Certification,  
Mississippi State Department of Health

**B. Project Description**

Southwest Mississippi Regional Medical Center requests Certificate of Need (CON) authority to establish Positron Emission Tomography (PET) services at its hospital in McComb, Mississippi. SMRMC will contract with Alliance Imaging, Incorporated, to provide mobile PET services. SMRMC plans to lease, from Alliance Imaging, a

General Electric (GE) Discovery ST8 PET/CT system (unit #64) to provide mobile PET services one day a week at the hospital. The application contains a copy of the proposed services agreement between SMRMC and Alliance Imaging for the proposed project.

According to the applicant, SMRMC will be added to an existing mobile PET route, utilizing unit #64, operated by Alliance Imaging. The table below shows the current route and the proposed route:

**Table 1**  
**Alliance Imaging Unit #64**  
**Mobile PET Services**  
**Current and Proposed Routes**

Facility	Location	Current/ (Proposed) Days/week	No. of Procedures	
			2008	Proposed
Wesley Medical Center	Hattiesburg, MS	1 Day	284	284
*Biloxi Regional Medical Center	Biloxi, MS	½ Day	153	153
*Garden Park Medical Center	Gulfport, MS	½ Day	75	75
Natchez Regional Medical Center	Natchez, MS	1 Day	157	157
Ocean Springs Hospital	Ocean Springs, MS	1 Day	185	185
**Memorial Hospital at Gulfport	Gulfport, MS	2 Days	676	0
Southwest MS Regional Med Center	McComb, MS	1 Day	0	240
<b>Total Procedures</b>			<b>1,530</b>	<b>1,094</b>

**\*Coast Imaging**

**\*\*No longer on the route, recently converted to a fixed unit.**

The proposed project does not require any capital expenditure; therefore, financing is not applicable to this project.

According to the MSDH Division of Health Facilities Licensure and Certification, the proposed project's site is approved for the proposed project.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of positron emission tomography (PET) services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d) (xv) 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 18, 2009.

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

### A. State Health Plan (SHP)

The *FY 2009 State Health Plan* addresses policy statements and service specific criteria and standards which an applicant is required to meet before receiving CON authority to provide PET services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the offering of mobile positron emission tomography services.

#### SHP Policy Statement (PS) Regarding PET

**PS-2 Indigent/Charity Care:** The applicant states that it will continue to provide a reasonable amount of indigent/charity care.

**PS-5 Access to Supplies:** According to the applicant, Alliance will contractually arrange for the provision of radiopharmaceuticals for SMRMC's mobile PET services through Alliance's existing contracts with PETNet, a national radiopharmaceutical provider.

**PS-6 Services and Medical Specialties Required:** The applicant states that the proposed project will function as a component of a comprehensive inpatient or outpatient diagnostic service and provides all of the required services and medical specialties, either on-site or through contractual arrangements.

The applicant asserts that SMRMC has transfer agreements with the following facilities: University of Mississippi Medical Center, Mississippi Baptist Medical Center, Forrest General Hospital, Natchez Regional Medical Center, River Park Community Cath. Lab, LLC, (Vidalia, Louisiana), and Lawrence County Hospital.

**PS-7 Hours of Operation:** The applicant asserts that SMRMC will provide PET services one day per week, and will schedule procedures in a manner which will be

clinically efficient, while avoiding an excessive backlog of cases.

**PS-8 CON Approval:** The applicant proposes to provide mobile PET services by joining an existing mobile PET route provided by Alliance Imaging, Inc. Alliance Imaging, Inc. is CON approved for PET equipment/services under CON #R-0503. This unit is identified as a GE Discovery ST8 PET/CT unit #64.

**PS-13 Certification:** SMRMC certifies that the mobile equipment referenced in this proposed CON application will be the only authorized piece of equipment and related equipment vendor offering PET services at SMRMC.

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

According to the Certificate of Need criteria and standards for the offering of fixed or mobile positron emission tomography (PET) services, the entity desiring to offer PET services must document that the equipment shall perform a minimum of 1,000 clinical procedures per year and must show the methodology used for the projection.

The proposed mobile PET services will be shared between SMRMC and other health care providers on Alliance Imaging's mobile PET/CT services route. The PET scanner is owned and operated by Alliance Imaging, Incorporated. The applicant proposes to lease a GE Discovery ST 8 PET/CT unit #64 at its facility from Alliance Imaging.

According to the applicant, Alliance Imaging, Inc's mobile PET/CT unit #64 route provided 1,530 PET/CT scans in 2008. The new proposed route is estimated to perform approximately 1,094 scans in 2009.

### **SHP Criterion 2 – Utilization of Joint Service Providers**

As previously stated, the proposed mobile PET services will be shared with SMRMC and other health care providers on Alliance Imaging's existing mobile PET services route. The PET scanner is owned and operated by Alliance Imaging, Inc. The applicant proposes to lease the GE Discovery ST 8 PET/CT scanner unit 64 from Alliance Imaging at its facility.

According to the applicant, the proposed route of Alliance Imaging, Inc. will consist of Wesley Medical Center, Biloxi Regional Medical Center, Garden Park Medical Center, Natchez Regional Medical Center, Ocean Springs Hospital, and SMRMC (see proposed route in Table 1 above).

The applicant projects the following number of procedures for the first, second, and third years of operation: 240, 264, and 288 PET scans, respectively.

### **SHP Criterion 3 - Assurance**

SMRMC affirms that it will comply with this criterion through its proposed PET services which will be offered in a physical environment that conforms to the federal standards, manufacturer's specifications, and licensing agencies' requirements.

### **SHP Criterion 4 – Approval from Radiological Health**

The applicant asserts that SMRMC will obtain all necessary approvals from the Division of Radiological Health for the proposed site, plans, and equipment before service begins.

### **SHP Criterion 5 – Availability of Equipment**

The applicant asserts that Alliance Imaging, Inc. will contractually arrange for the provision of radiopharmaceuticals for SMRMC's PET/CT service through Alliance's existing contracts with PetNet, a national radiopharmaceutical provider. The radiopharmaceutical providers contractually assure quality control of their products and timely supply of required radiopharmaceuticals.

### **SHP Criterion 6 – Staffing Availability**

The applicant affirms that the necessary qualified staff will be available to operate the proposed mobile PET/CT unit.

### **SHP Criterion 7 – Medical Emergencies**

The applicant contends that SMRMC currently offers emergency medical services, and will develop appropriate protocols and procedures to manage any medical emergencies associated with the proposed project.

### **SHP Criterion 8 – Referral System**

The applicant affirms that SMRMC will accept appropriate referrals for PET/CT procedures from other local providers and that the patient will be accommodated to the extent possible by extending hours of service, as appropriate, and by prioritizing patients according to standards of need and appropriateness rather than source of referral.

### **SHP Criterion 9 – Established Protocols**

The applicant affirms that protocols will be established to assure that all clinical PET/CT procedures performed are medically necessary and not more appropriately performed by other, less expensive, established modalities.

### **SHP Criterion 10 – Maintenance of PET Procedures**

The applicant states that they will maintain a current listing of appropriate PET procedures for use by referring physicians.

### **SHP Criterion 11 – Maintenance of Required Data**

The applicant affirms that SMRMC shall maintain the data required by this criterion and shall make the same available to the Mississippi State Department of Health upon request.

### **SHP Criterion 12 – CON Exemption/Approval**

Southwest Regional Medical Center is requesting CON authority through the Mississippi State Department of Health to offer mobile PET/CT scanner services. The proposed mobile PET services will be provided by the applicant entering into a contract with Alliance Imaging, Inc.

Alliance Imaging Inc. has CON authority to manage the mobile PET scanner equipment under certificate of need #R-0503 for the acquisition and establishment of PET scanner equipment and services.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised February 23, 2008; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

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

According to the applicant, SMRMC continually assesses the health care needs of the residents of its service area. SMRMC engages in long-range planning through discussions with members of the hospital's medical staff, the Board of Trustees, and other health care providers. The applicant believes that based upon consultations SMRMC determined that the offering of mobile PET/CT services is an important and necessary component of the comprehensive health services offered by SMRMC to the residents of the communities it serves.

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

The applicant considered the following two alternatives:

1. Southwest Mississippi Regional Medical Center considered the acquisition of a fixed PET unit. This option was rejected because the applicant believed the purchase of a fix PET unit would be too expensive. Additionally, SMRMC determined that its current patient demands do not warrant the acquisition of a fixed PET scanner at this time.
2. The applicant considered not making a change and would continue to refer patients needing PET/CT services to other service providers. This alternative was rejected because it would continue to compromise the health of the patients being served by SMRMC.

The applicant believes that the establishment of PET/CT services for patients of SMRMC through a joint mobile route agreement benefits the health system by being cost effective and enabling its patients to receive PET services closer to their homes. SMRMC further believes that by adding this service at its facility will serve the community health needs by making this service available as an integral part of the comprehensive health services offered by the hospital, including heart services and cancer treatment.

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

According to the applicant's three-year projections, the proposed project's net income will be \$108,708; \$127,251; and \$147,188 for the first, second, and third year of operation, respectively.

- a. **Proposed Charge:** The applicant projects charges of \$3,960; \$4,039; and \$4,120 per PET procedure for the first, second, and third years of operation for the proposed project. The applicant projects costs of \$1,000 per PET procedure for the first, second, and third year of operation.
- b. **Projected Levels of Utilization:** SMRMC anticipates the following number of PET procedures will be performed during the first, second, and third years of operation: 240, 264, and 288 scans, respectively.
- c. **Project's Financial Feasibility Study:** The project has no capital expenditure associated; therefore, a feasibility study is not required.

### **GR Criterion 5 - Need for the Project**

- a. **Access by Population Served:** The applicant states that SMRMC is accessible to all residents of the service area, including low income persons, racial and ethnic minorities, women, handicapped persons and other

underserved groups, and the elderly. The applicant further contends that the population currently served by SMRMC will have access to the proposed PET/CT services. The facility currently provides a broad range of health services, including a heart program and cancer treatment center.

- b. **Relocation of Services:** This application seeks to establish mobile positron emission tomography services. The proposed PET services will be implemented through a contractual agreement with Alliance Imaging, Inc., an existing provider of mobile PET services.
- c. **Probable Effect on Existing Facilities in the Area:** The applicant states that there will be no adverse impact to the existing health care system in General Hospital Service Area 5 (GHSA 5) as a result of the proposed project. The applicant further states that Natchez Regional Medical Center (NRMC), Natchez, Mississippi is the only facility in GHSA 5 that provides mobile PET services.

The applicant believes that SMRMC serves a different patient population from Natchez Regional Medical Center; therefore, there will be no duplication of services currently being provided by NRMC.

- d. **Community Reaction:** The application contains nine (9) letters of support for the proposed project.

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

According to the applicant, all residents of GHSA 5, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly, will have access to the services of the facility.

The following table shows the projected gross patient revenue and actual dollar amount of health care provided to medically indigent patients for the first two years upon completion of the proposed project:

<b>Projected Year</b>	<b>Dollar Amount of Gross Patient Revenue</b>
1	\$3,108
2	\$3,487

The applicant states that it is anticipated that the payor source for most patients receiving this service will be Medicare, Medicaid, or commercial, consequently, charity care of .33% has been allocated for the proposed project.



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

The applicant affirms that it will record and maintain the requested information required by this 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**

Southwest Mississippi Regional Medical Center is located in General Hospital Service Area 5. According to the **FY 2009 State Health Plan**, in FY 2007, GHSA 5 had only one mobile PET provider who performed a total of 154 PET procedures. The applicant believes that NRMC serves a different patient population and the establishment of mobile PET/CT services will allow SMRMC to offer this important modality to the residents of its service area.

Staff contends that this project should not have an adverse affect on existing providers in GHSA 5.

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

The applicant states that SMRMC has the medical staff and resources to staff and operate the proposed project.

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

The applicant is accredited with the Joint Commission, licensed with the Mississippi State Department of Health, and is Medicare/Medicaid certified. It is the applicant's belief that the PET/CT services will elevate the quality of health care to the residents of SMRMC service area by making this important modality available in the service area for the first time.

According to SMRMC, the service will be an important addition to the heart and cancer services currently offered by the hospital.

## **IV. FINANCIAL FEASIBILITY**

### **A. Capital Expenditure Summary**

The applicant contends that the proposed project does not require any capital expenditure.

**B. Method of Financing**

The proposed project does not require any capital expenditure; therefore, no financing is required.

**C. Effect on Operating Cost**

Southwest Mississippi Regional Medical Center projects the following expenses, revenues, and utilization for the first three years of operation for the PET service:

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	-0-	-0-	-0-
Outpatient	950,400	1,066,350	1,186,556
<b>Total Gross Patient Revenue</b>	<b><u>\$ 950,400</u></b>	<b><u>\$ 1,066,350</u></b>	<b><u>\$ 1,186,556</u></b>
Charity Care	(\$3,108)	(3,487)	(3,880)
Deductions	(\$598,583)	(671,611)	(747,487)
<b>Total Deductions</b>	<b><u>(\$601,691)</u></b>	<b><u>(\$675,098)</u></b>	<b><u>(\$751,367)</u></b>
Net Patient Revenue	<b><u>\$348,709</u></b>	<b><u>\$391,251</u></b>	<b><u>\$435,188</u></b>
Other Operating Revenue			
<b>Total Operating Revenue</b>	<b><u>\$348,709</u></b>	<b><u>\$391,251</u></b>	<b><u>\$435,188</u></b>
<b>Expenses</b>			
Salaries			
Supplies			
Services			
Lease	\$240,000	\$264,000	\$288,000
Other			
<b>Total Expenses</b>	<b><u>\$240,000</u></b>	<b><u>\$264,000</u></b>	<b><u>\$288,000</u></b>
<b>Net Income (Loss)</b>	<b><u>\$108,708</u></b>	<b><u>\$127,251</u></b>	<b><u>\$147,188</u></b>
<b>Utilization</b>			
Inpatient Day			
Outpatient Day			
Procedures	240	264	288
Charge Per Procedure	\$3,960	\$4,039	\$4,120
Cost Per Procedure	\$1,000	\$1,000	\$1,000
Charge Per Outpatient Day			
Charge Per Inpatient Day			
Cost Per Outpatient Day			
Cost Per Inpatient Day			

**D. Cost to Medicaid/Medicare**

<b>Patient Mix by Type Payer</b>	<b>Utilization Percentage</b>	<b>First Year Expenses Revenue</b>
Medicaid	14	\$134,893
Medicare	32	\$300,641
Other	54	\$514,866
<b>Total</b>	<b>100</b>	<b>\$950,400</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment.

The Division of Medicaid estimates the increased annual cost to Medicaid to be none as it relates to inpatient hospital services and outpatient services will be paid as outlined in the Medicaid State Plan.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the offering of mobile Positron Emission Tomography (PET) services as contained in the *FY 2009 State Health Plan*; the *Certificate of Need Review Manual*, revised February 23, 2008; 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 Southwest Mississippi Regional Medical Center for the establishment of mobile PET services.