

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
FEBRUARY 2011**

**CON REVIEW: HG-NIS-0910-036  
STONE COUNTY HOSPITAL, INC. d/b/a STONE COUNTY HOSPITAL  
OFFERING OF MOBILE MRI SERVICES  
LOCATION: WIGGINS (STONE COUNTY) MISSISSIPPI  
CAPITAL EXPENDITURE: \$-0-**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Stone County Hospital, Inc. d/b/a Stone County Hospital (“SCH”) is located at 1434 East Central Avenue, Wiggins, Stone County, Mississippi. SCH is a short-term 25-bed medical/surgical critical access hospital (CAH) and operates as a for-profit Mississippi corporation. The hospital offers a complement of general acute care services, such as; emergency, ambulatory, laboratory, radiology, respiratory, rehabilitation, and social services. SCH is certified to participate in the Medicare and Medicaid programs and is listed in good standing with the Secretary of State’s Office. The hospital has a management agreement with Corporate Management, Inc. in Gulfport, Mississippi. H. Ted Cain is listed as the hospital’s sole governing authority/trustee.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Stone County Hospital are as follows for the years 2007 through 2009:

**Stone County Hospital  
Utilization Data**

| <b>Fiscal Year</b> | <b>Occupancy Rate (%)</b> | <b>ALOS (Days)</b> | <b>Medicaid Utilization Rate (%)</b> |
|--------------------|---------------------------|--------------------|--------------------------------------|
| 2007               | 18.03                     | 2.95               | n/a                                  |
| 2008               | 15.81                     | 3.25               | n/a                                  |
| 2009               | 14.31                     | 3.36               | 3%                                   |

**Source:** Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

Stone County Hospital requests Certificate of Need (CON) authority to offer magnetic resonance imaging (MRI) services at Stone County Hospital through a joint venture with P&L Contracting (“P&L”), of Batesville, Mississippi, a mobile MRI vendor. P&L is currently a CON approved provider/vendor of mobile MRI services and equipment.

The applicant proposes to be added to P&L’s existing mobile route. P&L will be providing a 1.5 Tesla scanner or a scanner of comparable quality and capability, installed in a mobile unit and located at SCH on Saturday morning for approximately four hours. The application contains a detailed imaging service agreement between Stone County and P&L Contracting regarding the proposed project.

The applicant indicates that no capital expenditure, construction, or renovation will be required to implement the project nor will it require any additional personnel. The applicant included a projected operating statement for the first, second, and third years of operation (See Attachment 1).

On September 22, 2010, the applicant received correspondence from the Division of Licensure and Certification asserting that the site at Stone County Hospital, Wiggins, Mississippi, is approved for the placement of a Mobile MRI diagnostic unit.

**II. TYPE OF REVIEW REQUIRED**

Projects which propose the establishment of MRI services are reviewed in accordance with Section 41-7-191, subparagraph (1)(d)(xii) 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 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 3, 2011.

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

**A. State Health Plan (SHP)**

The *FY 2010 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need 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 2,700 procedures by the end of the second year of operation, according to the *FY 2010 State Health Plan*. The *State Health 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 *State Health 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 2,700 procedures annually by the end of the second year of operation.

The applicant indicates that the proposed project is a joint venture involving an existing mobile MRI vendor, P&L Contracting of Batesville and the proposed MRI services provider Stone County Hospital, Inc. to provide MRI services at the hospital on Saturday mornings for four hours. According to the applicant, P&L Contracting performed 2,400 MRI procedures in 2009, and expects to generate 3,689 procedures next year. The applicant further indicates that this projection includes an average of 26 scans per month at SCH.

According to the *FY 2010 State Health Plan*, facilities on P&L’s existing mobile MRI route performed a total of 2,442 procedures in 2009, excluding the procedures performed at the two state operated facilities listed on the route. The proposed route does not contain the two state facilities; however, P&L Contracting is proposing to meet the minimum 2,700 procedures by the end of the second year of operation. The applicant submitted details regarding the proposed route to demonstrate that P&L produced a reasonable route which would accommodate the hospital’s need and exceeds the number of procedures required by this criterion (see table below).

The *State Health Plan* allows for applicants of non-hospital based facilities to submit affidavits from referring physicians. MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year. The application contained 4 affidavits signed by physicians attesting to a total of 27 MRI procedures per month that they refer to other facilities for a total of 288 procedures annually; however, this application is for MRI services at an existing hospital.

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

| Year 1 | Year 2 |
|--------|--------|
| 300    | 360    |

General Hospital Service Area 9  
 Location and Number of MRI Procedures  
 FY 2010 State Health Plan

| Facility Name                   | Location/Type of Equipment | Day(s)    | # of Hours | 2008 No. of Procedures Performed | *2009 No. of Procedures Performed | FTE Unit 2009 |
|---------------------------------|----------------------------|-----------|------------|----------------------------------|-----------------------------------|---------------|
| Biloxi Regional Medical Center  | Harrison/F                 | Sun-Sat   | 50+ hrs    | 5,301                            | 4,951                             | 1.00          |
| Coastal County Imaging Services | Harrison/F                 | Mon & Fri | 45 hrs     | 1,515                            | 1,730                             | 1.00          |
| Garden Park Medical Center      | Harrison/F                 | Mon – Fri | 60 hrs     | 2,333                            | 2,290                             | 1.00          |
| George County Hospital          | George/F                   | Mon – Fri | 40 hrs     | 807                              | 747                               | 1.00          |
| Hancock Medical Center          | Hancock/F                  | Mon – Fri | 40 hrs     | 1,309                            | 1,348                             | 1.00          |
| Highland Community Hospital     | Pearl River/M              | Mon & Fri | 40 hrs     | 1,017                            | 1,131                             | 1.00          |
| Memorial Hospital at Gulfport   | Harrison/F(2)              | Mon – Fri | 150 hrs    | 5,424                            | 6,024                             | 2.00          |
| Ocean Springs Hospital          | Jackson/F(2)               | Mon – Fri | 130 hrs    | 4,112                            | 3,860                             | 2.00          |
| Open MRI – Cedar Lake           | Harrison/F                 | Mon – Fri | 45 hrs     | 3,936                            | 2,980                             | 1.00          |
| Open MRI – Compass Site         | Harrison/F                 | Mon – Fri | 70 hrs     | 4,681                            | 4,634                             | 1.00          |
| OMRI, Inc. d/b/a Open MRI       | Jackson/M(2)               | Mon – Fri | 80 hrs     | 1,992                            | 2,610                             | 2.00          |
| Singing River Hospital          | Jackson/F(1)/M(1)          | Mon - Fri | 98+ hrs    | 4,556                            | 4,798                             | 2.00          |
| <b>Total</b>                    |                            |           |            | <b>36,983</b>                    | <b>37,103</b>                     | <b>16.00</b>  |

~Source: 2010 State Health Plan

\* Updated information

F – Fixed M – Mobile

FTE – Full-time equivalent

**P&L Contracting Current and Proposed Route**

| Facility Name/Location                    | 2009 MRI Scans | Proposed MRI Scans | Day | Time         |
|---|----------------|--------------------|-----|--------------|
| *Central MS Correctional Facility/Rankin  | 29             | 0                  | n/a | n/a          |
| Chilot Memorial Hospital/Chilot           |                |                    | Fri | 8:00 – 2:00  |
| King's Daughters Medical Center/Yazoo     | 520            | 560                | Tue | 1:00 – 5:00  |
| *Mississippi State Penitentiary/Sunflower | 10             | 0                  | n/a | n/a          |
| North Sunflower Medical Center/Sunflower  | 254            | 295                | Tue | 8:00 – 12:00 |
| P&L Contracting/Panola                    | 477            | 150                | Thu | 2:30 – 5:30  |
| Scan This/Tate                            | CON            | 300                | Mon | 1:30 – 5:30  |
| Sharkey-Issaquena Hospital/Sharkey        | 155            | 240                | Wed | 1:00 – 5:00  |
| South Sunflower County Hospital/Sunflower | 530            | 490                | Wed | 7:30 – 11:30 |
| ^Stone County Hospital/Stone              | -              | 312                | Sat | 8:00 - 12:00 |
| Tri-Lakes Medical Center/Panola           | 181            | 530                | Thu | 8:00 – 1:00  |
| Yalobusha Hospital/Yalobusha              | 325            | 332                | Mon | 8:00 – 12:00 |
| <b>TOTAL</b>                              | <b>2,442</b>   | <b>3,209</b>       |     |              |

^ Proposed facility to be added to existing route.

\*State Operated facilities excluded from the list/total.

The applicant documents a reasonable population within its service area, Stone County. According to the *FY 2010 State Health Plan*, 258,938 MRI scans were performed in Mississippi during 2008 and the population projection for 2010 is 2,975,551; therefore, the Mississippi MRI use rate for 2010 is 87.02 MRI scans per 1,000 persons. The applicant submits that Stone County, with a population projection of 15,605, would expect to generate 1,358 MRI scans, according to MSDH's MRI need projection methodology.

**Population-Based Formula for Projection of MRI Service Volume**

**$X \cdot Y \div 1,000 = V$**

*Where, X = Applicant's Defined Service area population*

*Y = Mississippi MRI Use Rate*

*V = Expected Volume*

$\frac{15,605 \text{ (Stone County's population)}}{1,000} = 15.605$

$15.605 \cdot 87.02 \text{ (MS MRI use rate)} = 1,358$

The applicant has demonstrated that the equipment will perform 2,700 procedures by the second year of operation. In accordance with Policy Statement Seven, the minimum service volume for the establishment of mobile MRI services shall be prorated on a "site-by-site" basis based on the amount of time the mobile service will be operational at each site. The mobile service is proposed to be at Stone County Hospital for four hours per week, representing .10 FTE MRI units. Therefore, the minimum service volume for this location is 270 (2,700 x .1 FTE) scans per year. The applicant project to perform 300 scans their first year of operation.

Currently, there are no MRI providers in Stone County where the applicant proposes to provide services and has identified as its defined service area. Therefore, the applicant is in compliance with the need criterion.

### **SHP Criterion 2 – Documentation of Diagnostic Imaging Modalities**

The applicant certifies that a full range of radiology diagnostic imaging modalities for verification and complimentary studies will be available through Stone County Hospital.

### **SHP Criterion 3 – Accessibility**

The applicant certifies that no entity involved with this joint venture within the scope of its available services, neither the facility where the service is to be provided, nor its participating medical personnel shall have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

### **SHP Criterion 4 – Staffing**

The applicant affirms that a full-time, board eligible radiologist will be available for the interpretation of all MRI images. The application contains a curriculum vita for Charles Stewart Greeson, M.D., F.A.C.R.

The applicant states that P&L Contracting will provide the full-time MRI technologist.

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

SCH affirms that the facility does not intend to use the MRI unit for experimental procedures.

### **SHP Criterion 6 – Data Requirement**

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

### **SHP Criterion 7 – CON Approval**

P&L Contracting, the proposed mobile MRI provider, is approved to provide MRI equipment and services in Mississippi.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, revised May 1, 2010*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the Manual.

### **GR Criterion 1 – State Health Plan**

The application was reviewed for compliance with the *FY 2010 State Health Plan* as previously discussed.

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

The applicant states that its long term goal is to assure that its medical staff and referring physicians have access to a full range of diagnostic modalities locally for the least amount of capital expenditure possible on behalf of Stone County Hospital. Therefore, the applicant considers the proposed project to be consistent with its long-range plans.

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

The applicant contends that the only other possible alternative would be for Stone County Hospital to do nothing. However, this option was rejected because of limited accessibility and unnecessary travel expenses for the services. As a result, they opt to contract with a MRI provider, P&L, Contracting of Batesville, Mississippi.

### **GR Criterion 4 – Economic Viability**

SCH contends that the cost per scan is comparable to the regional market. The applicant further states that the actual reimbursement per scan is determined by the payors of such services regardless of the charge and are based similar to services provided within critical access hospitals.

The applicant states that the projected number of scans is based on the utilization history of a similar hospital located within the state and the initial cost for the proposed project is very minimal, if any, and paid by SCH.

Staff concluded that the proposed project will be economically viable by the third year of operation.

#### **GR Criterion 5 – Need for Project**

The applicant submits that having MRI capabilities at the SCH will help physicians and others in determining the most efficacious treatment modality for patients, particularly for chronic ill patients, locally. The applicant further submits that MRIs will only be provided to those persons who are referred by a physician and who has a written prescription for a specific type of scan regardless of their social or economic standing.

According to the *2010 State Health Plan*, there are no facilities in Wiggins, Stone County, Mississippi offering MRI services.

The application contains six letters of support for the proposed project.

The Department did not receive any letters of opposition concerning the proposed project.

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

The applicant affirms that all residents of the health planning service area, hospital service area, and patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services proposed.

#### **GR Criterion 7 – Information Requirement**

The applicant affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of proper request.

#### **GR Criterion 8 – Relationship to Existing Health Care System**

The applicant submits that there are no other MRI services available in Wiggins, Stone County, Mississippi.

The Department has not received any letters of opposition for the proposed project.



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

The applicant documents that physicians currently on staff with Stone County Hospital will be referring patients for MRI service and the coordinator/billing personnel are presently on staff at SCH. The applicant further documents that a radiologist retained by SCH will interpret the images and bill appropriate payors for services provided, as a result, no additional staff will be required.

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

Stone County Hospital is in compliance with the Minimum Standards for the Operation of Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification.

## **IV. FINANCIAL ANALYSIS**

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

The applicant indicates that no capital expenditure is associated with this project.

### **B. Method of Financing**

This project requires no financing.

### **C. Effect on Operating Costs**

With regard to this project, the applicant's projected Operating Statement for Stone County Hospital for the first three years of operation is listed as Attachment 1.

The applicant projects 300 MRI procedures will be performed the first year, 360 the second year, and 420 MRI procedures the third year of operation. The cost and charge per scan will be \$1,215 and \$1,864 respectively.

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows (based on gross patient revenue):

| <b>Patient Mix by Payor</b> | <b>Utilization Percentage</b> | <b>First Year Cost</b> |
|-----------------------------|-------------------------------|------------------------|
| <b>Medicare</b>             | 37%                           | \$206,345              |
| <b>Medicaid</b>             | 15%                           | \$83,880               |
| <b>Commercial</b>           | 34%                           | \$191,246              |
| <b>Self Pay</b>             | <u>14%</u>                    | <u>\$77,729</u>        |
| <b>Total</b>                | <b>100%</b>                   | <b>\$559,200</b>       |

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment; however, no comments were received prior to posting of the staff analysis.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in compliance with the criteria and standards for the offering of fixed or mobile MRI services as contained in the *FY 2010 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2010 revision*; 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 Stone County Hospital for the offering of mobile MRI services provided by P&L Contracting.

**ATTACHMENT 1  
STONE COUNTY HOSPITAL  
PROJECTED OPERATING STATEMENT (Project Only)**

|                                | Year 1             | Year 2             | Year 3             |
|--------------------------------|--------------------|--------------------|--------------------|
| Revenue                        |                    |                    |                    |
| Gross Patient Care Revenue     | \$559,200          | \$564,792          | \$570,384          |
| Deduction From Revenue         | (\$182,388)        | (\$184,213)        | (\$186,036)        |
| Charity/Indigent Care          | -                  | -                  | -                  |
| <b>Total Deductions</b>        | <b>(\$182,388)</b> | <b>(\$184,213)</b> | <b>(\$186,036)</b> |
| Net Patient Care Revenue       | \$376,812          | \$380,579          | \$384,348          |
| <b>Total Operating Revenue</b> | <b>\$376,812</b>   | <b>\$380,579</b>   | <b>\$384,348</b>   |
| Operating Expenses             |                    |                    |                    |
| Supplies                       | \$1,500            | \$1,700            | \$1,900            |
| Services                       | \$10,790           | \$11,000           | \$11,200           |
| <b>Total Operating Expense</b> | <b>\$12,290</b>    | <b>\$12,700</b>    | <b>\$13,100</b>    |
| <b>Net Operating Income</b>    | <b>\$364,522</b>   | <b>\$367,879</b>   | <b>\$371,248</b>   |
| Assumptions                    |                    |                    |                    |
| Number of Scans                | 300                | 360                | 420                |
| Charge per Scan                | \$1,864            | \$1,569            | \$1,358            |
| Cost per Scan                  | \$1,215            | \$1,022            | \$884              |