

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
NOVEMBER 2011**

**CON REVIEW: FSF-NIS-0911-018
IMAGING CENTER AT BRIDGEPOINT, LLC, TUPELO
OFFERING OF POSITRON EMISSION TOMOGRAPHY (PET) SERVICES
CAPITAL EXPENDITURE: \$4,182,136
LOCATION: TUPELO (LEE COUNTY), MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Imaging Center at BridgePoint, LLC (the "Imaging Center" or "BridgePoint") is located at 830 South Gloster, Tupelo, Lee County, Mississippi. The Imaging Center received a certificate of formation on August 30, 2011. The Imaging Center at BridgePoint is a joint venture entity with two partners: North Mississippi Joint Ventures, LLC ("NMJV") and North Mississippi Hematology and Oncology Associates, Ltd, ("NMHOA") or a related subsidiary. NMJV will hold the majority ownership of 67% in the joint venture and NMHOA will have a 33% membership interest in the joint venture. NMJV will appoint three managers and the LLC formed by Hematology and Oncology will appoint two managers for a total of five managers who make up the governing board for BridgePoint. The applicant submits the initial officers of BridgePoint will be Joseph Reppert, President and Bruce J. Toppin, Esquire, Secretary.

North Mississippi Joint Ventures, LLC is a subsidiary corporation of North Mississippi Health Services, Inc. North Mississippi Medical Center is also a subsidiary corporation of North Mississippi Health Services, Inc. Thus, North Mississippi Joint Ventures, LLC and NMMC are sister corporations. BridgePoint is listed in good standing with the Office of the Secretary of State.

B. Project Description

The Imaging Center at BridgePoint requests Certificate of Need (CON) authority for the Offering of Positron Emission Tomography (PET) Services. The Imaging Center intends to offer PET services at its proposed imaging suite. The applicant submits that BridgePoint will be constructed in close proximity to the North Mississippi Hematology and Oncology Associates, Ltd.

The applicant submits that BridgePoint will be constructed in a portion of a 17,000 square foot building shell adjacent to the Hematology and Oncology Clinic. However, BridgePoint will be approximately 9,000 square feet and will contain a CT, ultrasound, PET/CT, and x-ray equipment. The applicant will enter into a lease agreement for the PET scanner with North Mississippi Medical Center, pursuant to an operating lease agreement. NMMC will retain ownership of the PET scanner, but will relocate it from its Longtown Medical Park location which is 4881 South Eason Boulevard, Tupelo, Mississippi to BridgePoint at 961 South Gloster Street, Tupelo, Mississippi. The applicant submits the distance between the two locations is approximately 0.7 miles. Additionally, BridgePoint will operate as an independent diagnostic testing facility (IDTF) under its own Medicare provider number, separate and distinct from the Medicare provider numbers of the parties in the joint venture.

The application contains a proposed draft equipment lease agreement between North Mississippi Medical Center, Inc. and the Imaging Center at BridgePoint, LLC. Also, the application contains a draft management services agreement between NMMC and the Imaging Center and a lease agreement between BridgePoint Real Estate Management LLC and the Imaging Center at BridgePoint, LLC.

The applicant projects the following number of procedures:

**Imaging Center at BridgePoint, LLC
Projected PET Procedures**

Year 1	Year 2	Year 3
2,213	2,257	2,302

According to the applicant, the capital expenditure for the proposed project is \$4,182,136 with \$2,165,000 being funded through a five year loan at a 5% interest rate with Renasant Bank and the remainder by accumulated cash reserves. Also, the applicant submits that no new personnel will be required.

On September 26, 2011, the MSDH Division of Health Facilities Licensure and Certification, determined that the proposed project's site is not hospital affiliated; therefore, is not under the Fire Safety and Construction Division jurisdiction. A site approval is not required for this 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. This project is also reviewed under 41-7-191, subparagraphs (1) (i) and (j) Mississippi Code of 1972 Annotated, as amended.

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 December 5, 2011.

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

A. State Health Plan (SHP)

The *FY 2012 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 for the offering of PET services.

SHP Policy Statement (PS) Regarding PET

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

PS-5 Access to Supplies: According to the applicant it will have access to appropriate radio-pharmaceuticals through a contractual agreement with Cardinal Health.

PS-6 Services and Medical Specialties Required: The applicant states that BridgePoint will operate as an independent diagnostic testing facility (IDTF) and the PET unit will function as a component of the (IDTF). The applicant further states that BridgePoint will have a CT scanner on-site and access to other required diagnostic imaging modalities at NMMC. Additionally, the applicant note that all of the physicians who will be providing services at BridgePoint are also members of NMMC's medical staff. NMMC has specialists in all of the categories listed for this Policy Statement on its medical staff, and they will be available to care for patients receiving PET services at BridgePoint.

PS-7 Hours of Operation: The applicant submits that BridgePoint will operate Monday through Friday from 7:00 a.m. to 5:00 p.m. and will provide emergency services on an as needed basis.

PS-12 Equipment Registration: The applicant states that the existing PET is a General Electric Medical System and is currently in use at NMMC's Longtown Medical Park location.

Certificate of Need Criteria and Standards for the Acquisition or Otherwise Control of a Positron Emission Tomography (PET) Scanner and Related Equipment

SHP Criterion 1a – Need

According to the Certificate of Need criteria and standards, an entity desiring to acquire or otherwise control the PET scanner must project a minimum of 1,000 clinical procedures per year and must show the methodology used for the projection. Additionally, the applicant shall document a minimum population of 300,000 per PET scanner unit.

According to the applicant, BridgePoint projects that it will perform 2,213 procedures the first year, 2,257 the second year, and 2,302 the third year of operation. These projections, according to BridgePoint, are based on historical utilization data for the PET equipment. Imaging Center at BridgePoint proposes to utilize a PET scanner that has already received CON approval. The scanner is currently operated by North Mississippi Medical Center at its Longtown Medical Park facility. Although the Imaging Center at BridgePoint will be a new provider of PET service, no new equipment will be purchased.

SHP Criterion 2 – Registered Entity

The Imaging Center at BridgePoint is a registered entity authorized to do business in the state of Mississippi.

SHP Criterion 3 – Impact on Existing Providers

The *FY 2012 State Health Plan* states that the MSDH will approve additional PET units in a service area with existing equipment only when the existing PET scanners in that service area is performing an average of 1,500 procedures per PET unit per year.

As previously stated, The Imaging Center at BridgePoint will not acquire new equipment, but will lease and relocate equipment already CON approved and in service at the NMMC Longtown Medical Park location.

SHP Criterion 4 – Approval from Radiological Health

The applicant affirmed that it shall obtain approval from the Division of Radiological Health for the proposed site, plans, and equipment before service begins.

SHP Criterion 5 – Assurance

The applicant affirmed that the data required for this criterion will be kept and made available to the MSDH upon request.

SHP Criterion 7 – CON Approval

The applicant is requesting CON approval to utilize the PET equipment and offer PET services.

Certificate of Need Criteria and Standards for the Offering of Fixed or Mobile Positron Emission Tomography (PET) Services

SHP Criterion 1 - Need

BridgePoint projects 2,213 procedures to be performed the first year of operation, 2,257 procedures the second year, and 2,302 procedures the third year. The applicant submits that these projections are based on historical utilization data for the PET equipment currently utilized at Longtown Medical Park, which will be the same equipment used by BridgePoint, under a lease agreement.

The applicant states that the proposed PET unit is currently being operated by NMMC, located at its Longtown Medical Park location, and is in the same service area (GHSA II) as the proposed BridgePoint site. Therefore, the applicant asserts that the population currently served by NMMC will be the same population served by the Imaging Center at Bridgepoint.

According to the applicant the Imaging Center at BridgePoint is not proposing to add a PET scanner to GHSA II. However, BridgePoint will lease the PET scanner currently located at Longtown Medical Park, 4884 South Eason Boulevard, Tupelo, MS through a joint venture with NMMC.

SHP Criterion 3 – Assurance

The applicant asserts that its proposed PET service will be offered in a physical environment that conforms to the federal standards, manufacturer's specifications and licensing agencies' requirements as stated.

SHP Criterion 4 – Approval from Radiological Health

The applicant asserts that BridgePoint will obtain approval 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 BridgePoint will provide access to a supply of cyclotron-produced radiopharmaceuticals from an off-site medical cyclotron and a radiopharmaceutical production facility within a two-hour air transport radius. The applicant further asserts that the radiopharmaceutical will be provided by Cardinal Health in individual patient doses. Also, the applicant states that Cardinal Health will provide these services in a manner similar to what they currently provide for NMMC's PET unit.

SHP Criterion 6 – Staffing Availability

The applicant states that qualified staff will be available to operate the PET scanner from NMMC's personnel pool and all staff members will meet the requirements of this criterion, as well as the Hospital. Additionally, the applicant states that BridgePoint will utilize the same staff that is currently operating the PET at Longtown Medical Park.

SHP Criterion 7 – Medical Emergencies

The applicant submits that in the event that a medical emergency arise, the Hematology and Oncology physicians who will utilize the imaging center's equipment will be located next door to the imaging center and will be available to immediately respond to any emergencies that may arise at BridgePoint. The applicant further submits that NMMC is located approximately 0.3 miles from BridgePoint and may call 911 to have a patient transported to NMMC for treatment.

SHP Criterion 8 – Referral System

The applicant affirms that Bridgepoint will accept appropriate referrals from all 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 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 affirms 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 BridgePoint 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

The Imaging Center at BridgePoint is requesting CON authority through the Mississippi State Department of Health to offer PET services utilizing a PET scanner currently owned by NMMC, but located at its Longtown Medical Park facility, on a full-time basis. BridgePoint will lease the PET scanner through an operating lease agreement.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*; revised September 1, 2011; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

The application was reviewed for compliance with the *FY 2012 State Health Plan* as previously discussed.

GR Criterion 2 - Long Range Plan

According to the applicant, NMJV and Hematology & Oncology share a long range goal of improving patient convenience and access to care by coming together to form BridgePoint, a joint venture imaging center. The applicant believes that its proposed location next to the physicians at Hematology & Oncology who utilizes the PET scanner frequently is the best way to increase patient convenience with respect to the provision of imaging services.

The applicant states that the proposed project is the culmination of two years of planning between the joint venture participants regarding how to best provide imaging services to the largest population of patients who require such services in the northeast Mississippi area.

GR Criterion 3 - Availability of Alternatives

The applicant does not believe there is any other alternative to this project other than to do nothing. The applicant contends that the project will eliminate the need for patients to drive to a separate location in order to receive imaging services, thus improving quality of care by providing those services, particularly PET services, closer to the bases of patients who use them frequently.

GR Criterion 4 - Economic Viability

According to the applicant's three-year projections, the proposed project's net gain will be \$2,131,658 the first year of operation, \$2,444,212 the second year, and \$2,781,627 for the third year of operation.

- a. **Proposed Charge:** The applicant projects charges of \$6,159; \$6,467; and \$6,790

per PET procedures for the first, second, and third years of operation for the proposed project, respectively. The applicant projects costs of \$945 for the first year, \$959 for the second, and \$974 for the third year of operation.

- b. **Projected Levels of Utilization:** The applicant anticipates the following number of PET procedures will be performed during the first, second, and third years of operation: 6,223; 6,347; and 6,474 scans, respectively. The application contains six affidavits from physicians of North Mississippi Hematology & Oncology Associates, Ltd., attesting to the average number of procedures referred to NMMC for PET scans and an estimated number of procedures that will be referred during BridgePoint's first year of operation.
- c. **Project's Financial Feasibility Study:** The application contains a statement from NMMC's Chief Financial Officer asserting that the imaging center is capable of undertaking the financial obligation of the proposed project.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant states that all residents of northeast Mississippi will continue to have access to the PET services offered at BridgePoint. The applicant further states that BridgePoint 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.
- b. **Relocation of Services:** This application seeks to establish PET services approximately 0.7 miles from where the PET unit is currently located. The proposed PET services will be implemented by an operating lease agreement between the applicant and NMMC.
- 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 2 as a result of the proposed project. BridgePoint is not proposing to add an additional PET unit to the service area. As stated, they will lease the PET unit that is currently operating in the service area.

The applicant further states that there is only one other PET unit in the Tupelo area which has not been operational for the most recent twelve months, according to the *2012 State Health Plan* data.

- d. **Community Reaction:** The application contains five (5) letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

According to the applicant, all residents of GHSA 2, 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 percentage and actual dollar amount of health care provided to medically indigent patients for the first two years upon completion of the proposed project:

Projected Year	Gross Patient Revenue (%)	Gross Patient Revenue (\$)
1	5.42%	\$1,095,154
2	5.51%	\$1,169,006

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

The Imaging Center at BridgePoint is located in General Hospital Service Area 2. According to the *FY 2012 State Health Plan*, in FY 2010, GHSA 2 had two mobile PET providers and one fixed who performed a total of 2,662 PET procedures. Additionally, one of the units appears to be no longer operational and the other unit is located in Corinth, approximately 50 miles from Tupelo. In 2011, Cardiology Associates of North MS was CON approved to provide Cardiac/PET services only, utilizing a fixed unit; therefore, it should not be affected by the proposed project. Thus, there are no existing comparable services in the service area currently serviced by NMMC's PET scanner.

The applicant states that BridgePoint is not proposing to provide new or expanded PET services. However, they believe that relocating the existing PET scanner to BridgePoint will have a significant positive impact on patient convenience and access to care. As a result, the applicant does not believe there will be an adverse impact on other providers of PET services in Tupelo, Mississippi.

The applicant further states that the vast majority of patients who require PET services are patients of Hematology & Oncology. Thus, by locating the PET unit at BridgePoint, which is immediately adjacent to Hematology & Oncology's clinic, patient convenience and access to care will be improved for the majority of the patients who require PET and other imaging services.

Staff contends that this project should not have an adverse affect on existing providers in GHSA 2.

GR Criterion 9 - Availability of Resources

The applicant states that qualified staff will be available to operate the PET equipment from NMMC's personnel pool. Additionally, all staff will meet the required qualifications set by NMMC and the Mississippi State Department of Radiological Health.

The applicant asserts that BridgePoint will utilize the same staff that is currently operating the PET at NMMC; thus, no new personnel are required as a result of the proposed project.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

Cost Item	Projected Cost	% of Total
Construction Cost - New		0.00%
Construction Cost - Renovation	\$2,381,014	56.00%
Capital Improvements		0.00%
Total Fixed Equipment Cost	1,047,000	25.00%
Total Non-Fixed Equipment Cost	15,000	1.00%
Land Cost		0.00%
Site Prep Cost		0.00%
Fees - architectural, engineering, etc.	334,000	8.00%
Fees – legal and accounting		0.00%
Contingency Reserve	357,122	9.00%
Other (furnishings)	48,000	1.00%
Total Proposed Capital Expenditures	<u>\$4,182,136</u>	<u>100%</u>

The above capital expenditure is proposed for the renovation cost of the entire project to accommodate the PET scanner in the Imaging Center at BridgePoint. The entire project involves approximately 17,000 square feet of space at an estimated cost of \$246.00 per square foot; however, the PET portion consists of about 9,000 square feet of space at an estimated cost of \$81.69 per square feet (See Attachment 1).

The Means Construction Cost Data, 2011, does not compare costs of renovation projects.

B. Method of Financing

The applicant proposes to finance the project through a loan with Renasant Bank for a maximum amount of \$2,165,000 at a five year fixed rate of 4.65% interest or adjustable monthly at New York Prime with 4.00% and 5.75% cap for five years and the remaining balance will be financed through the applicant's cash reserves. The applicant provided financial statements documenting the ability to fund the project.

C. Effect on Operating Cost

Imaging Center at BridgePoint, LLC projects the following expenses, revenues, and utilization for the first three years of operation for the PET service:

Three-Year Projected Operating Statement (Project Only)

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient			
Outpatient	13,629,867	14,597,588	15,634,016
Total Gross Patient Revenue	\$ 13,629,867	\$14,597,588	\$ 15,634,016
Charity Care			
Deductions	8,758,199	9,380,031	10,046,013
Deductions from Revenue	\$8,758,199	\$9,380,031	\$10,046,013
Net Patient Revenue	\$4,871,668	\$5,217,556	\$5,588,003
Other Operating Revenue			
Total Operating Revenue	\$4,871,668	\$5,217,556	\$5,588,003
Expenses			
Salaries***	\$145,600	\$149,386	\$153,270
Benefits	58,240	59,754	61,308
Supplies	553,250	569,848	586,943
Services	311,422	320,765	330,388
Lease	407,484	407,484	407,484
Depreciation	3,790	3,790	3,790
Interest	948	923	898
Other	609,741	653,033	699,398
Total Expenses	\$2,090,475	\$2,164,982	\$2,243,478
Net Income (Loss)	\$2,781,193	\$3,052,575	\$3,344,525
Utilization			
Inpatient Day			
Outpatient Day			
Procedures	2,213	2,257	2,302
Charge Per Procedure	\$6,159	\$6,467	\$6,790
Cost Per Procedure	\$945	\$959	\$974

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Revenue
Medicaid	9%	\$1,237,959
Medicare	59%	\$8,037,495
Commercial	21%	\$2,857,776
Self Pay	5%	\$677,490
Other	6%	\$819,147
Total	100%	\$13,629,867

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

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

VI. CONCLUSION AND RECOMMENDATION

The project is in substantial compliance with the criteria and standards for the offering of Positron Emission Tomography services as contained in the FY 2012 *Mississippi State Health Plan*; the Mississippi Certificate of Need Review Manual, revised September 1, 2011; 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 Medical Center for the offering of PET services at the Imaging Center at BridgePoint.

Attachment 1

Computation of Construction and Renovation Cost

Cost Component	PET Facility	Total Facility
New Construction Cost	\$0	
Renovation Cost	482,868	\$2,381,014
Total Fixed Equipment Cost	\$112,000	\$1,047,000
Total Non-Fixed Equipment Cost	0	\$15,000
Land Cost	\$0	
Site Preparation Cost	\$0	
<i>Fees (Architectural, Consultant, etc.)</i>	<i>\$68,000</i>	<i>\$334,000</i>
<i>Contingency Reserve</i>	<i>\$72,400</i>	<i>\$357,122</i>
<i>Capitalized Interest</i>	<i>\$0</i>	<i>\$0</i>
<i>Other</i>	<i>\$8,000</i>	<i>\$48,000</i>
Total Proposed Capital Expenditure	\$743,268	\$4,182,136
Square Footage	9,000	17,000
<i>Allocation Percent</i>	<i>100.00%</i>	<i>100.00%</i>
Costs Less Land, Non-Fixed Eqt., Other	\$735,268	\$4,119,136
Cost Per Square Foot	\$81.69	\$246.00