

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

**CON REVIEW FS-NIS-0905-038  
DESOTO IMAGING & DIAGNOSTICS, LLC  
PROVISION OF MOBILE MRI SERVICES  
CAPITAL EXPENDITURE: \$0  
LOCATION: SOUTHAVEN, DESOTO COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Desoto Imaging and Diagnostics, LLC (DI) is a proprietary, member-managed, limited liability company located in Southaven, DeSoto County, Mississippi. On June 20, 2005, DI filed a Certificate of Formation and Certificate of Existence with the Office of the Secretary of State and is presently governed by two board members. The company will be certified to participate in the Medicare program, Blue Cross and Blue Shield, other third party payor programs, and self pay.

**B. Project Description**

Desoto Imaging and Diagnostics, LLC (DI) requests CON authority to establish mobile MRI services in General Hospital Service Area (GHSA) 2 by contracting with a mobile MRI equipment vendor, Alliance Imaging, Incorporated (AI). Alliance Imaging, Incorporated is currently providing mobile MRI equipment to Gilmore Memorial Hospital (Amory) and Mission Primary Care Clinic (Vicksburg). DI is located at 7420 Guthrie Drive North, Suite 105, Southaven, DeSoto County, Mississippi 38671.

Alliance Imaging, Inc. will utilize a 1.5 Telsa unit to perform MRI scans two days per week (16 hours per week). A mobile trailer will be parked at DeSoto Medical Plaza in the parking lot of Desoto Imaging and Diagnostics, LLC. No new personnel are anticipated for this project; however, DI affirms that a board certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. A trained MRI technologist will be available during the hours of operation to compute MRI imaging methods. Technicians, support staff, and the mobile MRI unit will be provided by Alliance Imaging, Incorporated. Also, AI will be responsible for maintaining the equipment. No new construction or renovation is involved with the proposed project. The MDH, Division of Licensure and Certification approved the site for MRI services. The expected completion date for this project is 30 to 60 days upon receiving CON approval.

## II. TYPE OF REVIEW REQUESTED

The Mississippi Department of Health reviews applications for the establishment of MRI services in accordance with Section 41-7-191, subparagraph 1(d) (xii) Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code of 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 December 5, 2005.

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

### A. State Health Plan (SHP)

The *FY 2006 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving Certificate of Need (CON) authority for offering MRI services. This application is not in substantial compliance with applicable criteria and standards.

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

Desoto Imaging and Diagnostics, LLC (DI) states Baptist Memorial Hospital (BMH)–DeSoto (Southaven) and Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging (Southaven) are currently CON approved to provide fixed and mobile MRI services in the Southaven/Olive Branch area. On March 31, 2005, Carvel Imaging received a CON to offer MRI mobile services; however, they have not reported any MRI scans performed. On the other hand, DI indicates that BMH-DeSoto performed 3,932 scans in 2003 utilizing one fixed unit and one mobile unit. The applicant states that BMH-DeSoto is surpassing 1,700 MRI scans per year. Due to the high volume of patients requiring MRI scans, hospital staff is scheduling patients at later dates rather than at earlier appointments. The applicant believes these delays have caused some patients to receive unfavorable MRI results when their medical condition could have been detected at an earlier date.

Based on several Memphis, Tennessee articles included in the application, Desoto Imaging and Diagnostics contends that the population of DeSoto County is steadily increasing based on U.S. Census Bureau data. To address new growth trends, local and federal governments passed new legislation to accommodate the needs of Desoto County residents. With this in mind, the applicant believes more DeSoto County residents will be scheduled to receive MRI scans and the increased population rates will further delay MRI appointments at BMH-DeSoto.

The applicant affirms this project will not have an adverse impact on current MRI providers because the mobile unit will operate two days per week (16 hours per week). Also, DI will schedule patients for MRI scans on the days Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging does not perform MRI scans. To reduce scheduling delays, DI feels a mobile MRI service would benefit the residents and other MRI providers in the Southaven area.

The Certificate of Need criteria and standards for offering MRI services outlined in the *FY 2006 Mississippi State Health Plan* state that an entity desiring to offer MRI services must document that the specific equipment shall perform a minimum of 1,700 procedures per year by the end of the second year of operation. However, if the MRI unit in question is presently utilized by other providers 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.

Desoto Imaging and Diagnostics reports no utilization levels for the last three years because the facility has not provided MRI services in the past and has no utilization history; however, the mobile MRI vendor, Alliance Imaging, Incorporated (AI), reports that they have an existing mobile route that services Gilmore Memorial Hospital (Amory) and Mission Primary Care Clinic (Vicksburg). The applicant states that AI performed 1,440 procedures at Gilmore Memorial Hospital and 562 at Mission Primary Care Clinic in 2004, totaling 2,002 MRI scans within the past year. FY 2004, utilization of the MRI equipment exceeds the 1,700 minimum.

Applicants for non-hospital based MRI facilities may submit affidavits from referring physicians in lieu of the estimation methodology required for hospital-based facilities. MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year. The applicant submitted copies of affidavits from 8 physicians indicating that they will refer 336 procedures the first year of operation. Since the population is steadily increasing in DeSoto County, the applicant makes the following projections of MRI procedures to be performed during the first three years of operation:

<b>Projected MRI Procedures</b>		
Year 1	Year 2	Year 3
520	650	780

According to the *FY 2006 State Health Plan*, there are currently seven fixed MRI units and seven mobile units operating in General Hospital Service Area 2 (see the following table).

<b>General Hospital Service Area 2</b>					
<b>Location and Number of MRI Procedures</b>					
<b>Facility</b>	<b>Location</b>	<b>Type /No. of Equipment</b>	<b># of Proc. 2003</b>	<b># of Proc. 2004</b>	<b># of Proc. 2004 DeSoto County</b>
Baptist Memorial Hospital - DeSoto	Southaven	F(2)	3,932	4,973	4,973
Bolivar Medical Center	Cleveland	F	2,634	2,602	
Carvel Imaging	Olive Branch	F	2,158	2,933	2,933
Delta Regional Medical Center	Greenville	F(2)	1,463	1,544	
Greenwood Leflore Hospital	Greenwood	F	3,248	3,195	
H.C. Watkins Memorial Hospital, Inc.	Quitman	M	0	CON	
King's Daughters Hospital - Greenville	Greenville	M	470	674	
Northwest Miss Regional Medical Center	Clarksdale	M	1,110	1,233	
SMI - South Sunflower County Hospital *	Indianola	M	0	388	
SMI - Tyler Holmes Memorial Hospital *	Winona	M	0	CON	
Southaven Diagnostic Imaging, LLC dba Carvel Imaging	Southaven	M	0	CON	0
University Hospital Clinics - Holmes County	Lexington	M	201	283	
<b>Total</b>			<b>15,216</b>	<b>17,825</b>	<b>7,906</b>
<b>Total # of MRI Operational/Authorized</b>			<b>1,522</b>	<b>1,273</b>	<b>1,977</b>
<b>Average Number of Procedures</b>					

**Note:** \* Scott Medical Imaging

Source: *FY 2006 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2004 and 2005, and Fiscal Years 2003 and 2004 Annual Hospital Reports.

The *FY 2006 State Health Plan* indicates that the optimum utilization of a single MRI unit is between 2,000 and 2,500 procedures per year, or perhaps even higher when extended hours and additional days of operation are factored into a given MRI service. As shown in the table above, there are 14 MRI units in GHSA 2. For FY 2004, these units performed 17,825 procedures, for an average of 1,273 MRI procedures per unit. In addition, there are three operational MRI units and one CON approved MRI unit in DeSoto County. The three operational units performed 7,906 procedures in FY 2004, for an average of 2,635 procedures per unit. If the number of procedures remain the same for FY 2005, the three operational units and the one CON approved unit, could be expected to perform approximately 1,977 procedures on average per unit.

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

The applicant certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including, but not limited to, conventional radiology studies, nuclear medicine, and ultrasound.

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

Desoto Imaging and Diagnostics states in the CON application that the facility will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity or ability to pay.

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

Desoto Imaging and Diagnostics affirms that a board-certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. Also, a trained MRI technologist will be available during the hours of operation to compute MRI imaging methods.

### **SHP Criterion 5 - Research Staffing**

Desoto Imaging and Diagnostics affirms that the facility will not use MRI equipment for experimental procedures.

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

Desoto Imaging and Diagnostics affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health regarding the operation of the MRI equipment. Also, the facility states it will record source of payment for procedures and the total amounts charged during the fiscal year.

### **SHP Criterion-7- CON Approval**

Alliance Imaging, Incorporated is an approved mobile MRI equipment vendor in Mississippi. The applicant is in compliance with this criterion.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manua; 2000 revision*, addresses general criteria by which all CON applications are reviewed. This application is in not substantial compliance with general review criteria.

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

The proposed project is not in substantial compliance with the criteria and standards for the establishment of MRI services as contained in the *Plan*.

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

The Governing Board of Desoto Imaging and Diagnostics, LLC feels that establishing mobile MRI services will provide affordable and increased access to high quality imaging and diagnostic services to residents of DeSoto County, GHSA 2.

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

The applicant states DI considered acquiring a fixed MRI unit but decided against that plan because it would be too costly. To meet the needs of the residents of Southaven, the applicant submits that the most efficient and effective alternative would be to establish mobile MRI services.

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

The applicant provided a three-year projected operating statement and indicates that net revenue over a projected three year period will increase from \$321,412 to \$511,240. In addition, the statement shows that the net income will increase from \$89,812 to \$265,422 over three years. Given that GHSA 2 has 14 operational/CON approved MRI units, staff questions whether the applicant can meet the projections without encroaching on the ability of existing providers to provide these services.

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

The applicant states that MRI providers in the Southaven and Olive Branch Area are surpassing 1,700 MRI scans per year. Staff contends that there are three MRI providers in the Southaven area operating or authorized to operate four MRI units. Baptist Memorial Hospital – DeSoto is utilizing two fixed MRI units, Carvel Imaging is utilizing one fixed unit, and the third facility, Southaven Diagnostic Imaging, LLC dba Carvel Imaging, received CON approval to provide mobile MRI services. Operating MRI units in DeSoto County performed 7,906 MRI procedures in 2004. When the additional CON authorized MRI unit for Southaven Diagnostic Imaging, LLC dba Carvel Imaging is included, utilization averages 1977; less than the 2,000-2,500 optimum level indicated in the *FY 2006 State Health Plan*. Due to the high volume of patients requiring MRI scans, the staff at local healthcare facilities is scheduling patients at later dates rather than at earlier appointments.

The application includes endorsement letters from 21 community leaders and other clinics supporting the need for a mobile MRI service at the facility.

According to the applicant, these officials recognize that DI complies with all federal regulations regarding community service and supports the facility's efforts to service all patients in Service Area 2 regardless of race, creed, sex, or ability to pay.

Two letters of opposition were received from Baptist Memorial Hospital – DeSoto (BMH-DeDosto) and Southaven Diagnostic Imaging, LLC dba Carvel Imaging (CI). The opponents contend that authorization of a new MRI service will be a duplication of services and that the establishment of an additional unit will cause an adverse impact on the existing providers in the area.

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

The applicant affirms that the facility will provide services to all residents of DeSoto County. The applicant indicates that the expected payor mix by type of payor will be as follows: Medicaid 0.0%, Medicare 43.0%, Private Pay, 52.0%, and Self Pay 5.0%.

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

Desoto Imaging and Diagnostics affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

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

Desoto Imaging and Diagnostics is located in General Hospital Service Area 2 where there are currently seven fixed MRI units and seven mobile units. All of the existing units in the area are not performing at 2,000-2,500 optimum utilization, rather the average is 1,273. Given the number of units present in the service area, staff contends that the project cannot be viable without causing an adverse impact on existing providers in GHSA 2 and in DeSoto County.

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

The applicant affirms that a DI physician will serve as the director of the MRI service, and the operation of the MRI equipment will be completed by a full-time MRI technician employed by Alliance Imaging, Incorporated.

### **GR Criterion 10- Relationship to Ancillary or Support Services**

The applicant affirms that DI will contract with Alliance Imaging, Incorporated to provide mobile MRI equipment. The applicant affirms that the project will not have an impact on ancillary and support services.

### **GR Criterion 11- Health Professional Training Programs**

Desoto Imaging and Diagnostics states that it will offer the proposed services for health professional training programs.

### **GR Criterion 12- Access by Health Professional Schools**

The applicant affirms that DI will allow local health professional schools to have access to the proposed service for training purposes.

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

Desoto Imaging and Diagnostics states that it will provide quality care to the residents of GHSA 2 and affirms that it will make sure patients receive quality MRI services if the proposed project is approved.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

There is no capital expenditure associated with this project.

**B. Method of Financing**

Desoto Imaging and Diagnostics will use initial operating capital to finance this project.

**C. Effect on Operating Costs**

The applicant projects gross revenues of \$769,600, \$991,250, and \$1,224,600 the first, second, and third year of operation, respectively; and expenses of \$231,600, \$238,700, and \$245,818. Also, net income for the first three years of operation is as follows: \$89,872, \$174,118, and \$265,422. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

Payor	Utilization Percentage	First Year Expense
Medicaid	0%	\$ 0
Medicare	43%	\$99,588
Other	57%	\$132,012
<b>Total</b>	<b>100%</b>	<b>\$ 231,600</b>

DI projects medically indigent care account for approximately 3% of gross patient revenues.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. Outpatient services are paid as outlined in the Medicaid's State Plan; therefore, the Division of Medicaid took no position on this project.

## VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the criteria and standards for the establishment of MRI services as contained in the FY 2006 *Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health. Specifically,

- **SHP Criterion 1 and GR Criterion 5- Need:** Current operating and authorized MRI units in GHSA 2 averaged 1,273 procedures per unit in FY 2004; well below the 1,700 minimum required. Further, four operating/authorized units in DeSoto County performed an average 1,977 procedures in 2004, below the 2,000-2,500 optimum range. There are three operational units and one CON approved MRI unit in DeSoto County. The three operational units performed 7,906 procedures in FY 2004. If the number of procedures remain the same for FY 2005, the three operational units and the one CON approved unit, could be expected to perform approximately 1,977 procedures on average per unit.
- **GR Criterion 4- Economic Viability:** The application contains insufficient documentation that the proposed facility will meet the projections without encroaching on the ability of existing providers to provide MRI services.
- **GR Criterion 8 - Relationship to Existing Health Care System:** Given the number of units present in the service area, staff contends that the project cannot be viable without causing an adverse impact on existing providers in the area.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Desoto Imaging and Diagnostics, LLC (DI).

## ATTACHMENT 1

### Desoto Imaging and Diagnostics, LLC (DI) Three-Year Projected Operating Statement

	First Year	Second Year	Third Year
Number of Patients	520	650	780
Treatment (Procedures)/Patient	1	1	1
Average # of Treatments	520	650	780
Cost per Procedure	\$ 445	\$ 367	\$ 315
Charge per Procedure	\$ 1,480	\$ 1,525	\$ 1,570
<i>Patient Revenue</i>	\$ 769,600	\$ 991,250	\$ 1,224,600
<b>Total Patient Revenue</b>	<b><u>\$ 769,600</u></b>	<b><u>\$ 991,250</u></b>	<b><u>\$ 1,224,600</u></b>
 <i>Deductions from Revenue</i>			
3 <sup>rd</sup> Party Contractual Adjustments	\$ 425,100	\$ 548,695	\$ 676,622
Provisions for Bad Debt/Charity Care	\$ 23,088	\$ 29,737	\$ 36,738
<b>Total Revenue Deductions</b>	<b><u>\$ 448,188</u></b>	<b><u>\$ 578,432</u></b>	<b><u>\$ 713,360</u></b>
 <b>Net Revenue</b>	 <b><u>\$ 321,412</u></b>	 <b><u>\$ 412,818</u></b>	 <b><u>\$ 511,240</u></b>
 <i>Operating Expenses</i>			
Personnel	\$ 20,000	\$ 20,600	\$ 21,218
Utilities	\$ 3,600	\$ 3,600	\$ 3,600
Supplies	\$ 26,000	\$ 32,500	\$ 39,000
Equipment Lease	\$ 182,000	\$ 182,000	\$ 182,000
<b>Total Operating Expenses</b>	<b><u>\$ 231,600</u></b>	<b><u>\$ 238,700</u></b>	<b><u>\$ 245,818</u></b>
 <b>Income (Loss) from Operations</b>	 <b><u>\$ 89,812</u></b>	 <b><u>\$ 174,118</u></b>	 <b><u>\$ 265,422</u></b>