

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
DECEMBER 2006**

**CON REVIEW: FSF-RLS-0906-023
GOLDEN TRIANGLE DIAGNOSTIC CENTER, LLC
ACQUISITION OF MRI EQUIPMENT AND OFFERING OF MRI SERVICES
CAPITAL EXPENDITURE: \$260,000
LOCATION: COLUMBUS (LOWNDES COUNTY) MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Golden Triangle Diagnostic Center, LLC (Golden Triangle) is a Tennessee limited liability company established on August 30, 2006, authorized to do business in the state of Mississippi. Currently, Baptist Memorial Hospital-Golden Triangle (BMH-GT) is the sole member of Golden Triangle; however, the applicant anticipates that area physicians will participate as stock owners. The applicant proposes that Legacy Healthcare Group, Inc., of Birmingham, Alabama, will manage the entity.

B. Project Description

Golden Triangle requests Certificate of Need authority to establish magnetic resonance imaging (MRI) services by acquiring, through transfer, a 1.5 Tesla closed bore unit from its parent company, BMH-GT. Baptist Memorial Hospital-Golden Triangle currently operates two MRI units at the hospital located in Columbus, Mississippi. One unit is a 1.5 Tesla, the subject of this application, and the other is a 0.3T open gantry. Baptist Memorial-Golden Triangle wishes to upgrade its 0.3T unit but does not have adequate space to house two 1.5T units. Therefore, the hospital proposes to sell and transfer the existing 1.5T unit to the applicant to create space for the upgrade of the 0.3T unit.

The 2006 *State Health Plan*, which the applicant states provides the basis for this CON proposal, indicates that the two hospital units at BMH-GT are performing more than 4,000 MRI procedures annually. The applicant further states that with existing utilization, the hospital demonstrates that at least two units are needed, but current space in the MRI department will not accommodate two of the larger 1.5T machines. High renovation costs at the hospital would be incurred as described by some of the considerations outlined in the letter from Prayor and Morrow architects which is attached to the application.

The applicant states that while most MRI procedures are provided for outpatients, more emergent inpatient cases can shift and delay outpatient schedules. To accommodate ambulatory outpatients more efficiently in an easily accessible friendly setting, BMH-GT proposes to relocate the existing 1.5T MRI unit to Golden Triangle, in a new Medical Office Building (MOB). The existing 0.3T unit will be upgraded to a 1.5T unit that will remain in the hospital for inpatient and outpatient studies. The hospital's outpatients will utilize the nearby MOB location which is designed to address outpatient needs and less likely to cause a delay because of an inpatient immediate need.

The applicant believes that by relocating the MRI unit from BMH-GT to an ownership structure that can include other members along with the hospital as owners, costs will be distributed; and when costs are reduced, the exams can be provided at a charge to patients that is less than the hospital's. The applicant contends that Golden Triangle Diagnostic Center, LLC is in close proximity to the hospital (less than a mile away); will provide quick access to the multi-specialty medical staff and radiologists; will operate separately from the hospital; and will be managed by a firm that specializes in providing outpatient services. Initially, the sole member of Golden Triangle Diagnostic Center LLC will be BMH-GT. Physicians will have an opportunity to participate in ownership of the LLC and direction will be provided by an operations committee comprised of representatives of all owners.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the offering of MRI services in accordance with Section 41-7-191, subparagraph 1(d)(xii), (f) and (j) 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 January 16, 2007.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need (CON) authority for the acquisition or otherwise control and offering of MRI services. This application is in substantial compliance with applicable criteria and standards.

Note: CON projects are reviewed under the *State Health Plan* in effect at the time of receipt of the application. This application was received on September 1, 2006, and the FY 2006 *State Health Plan* was in effect until November 12, 2006.

Criteria and Standards for the Acquisition or Otherwise Control of MRI Equipment

SHP Criterion 1- Need

An entity desiring to acquire or otherwise control MRI equipment must document that the equipment shall perform a minimum of 1,700 procedures per year by the end of the second year of operation, using the procedures estimation methodology presented in the *State Health Plan*.

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 application contained 26 affidavits from physicians indicating that they will refer a total of 1,832 procedures during the first year of operation, if this application is approved.

The Plan also provides, however, that 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. Based on information contained in BMH-GT's Application for Renewal of Hospital License, the hospital performed 964 inpatient and 3,542 outpatient procedures. This equates to 4,506 procedures utilizing the two MRI units during Fiscal Year 2005.

The applicant contends that the existing 1.5T unit will be relocated from the hospital to Golden Triangle and the remaining 0.3T unit at the hospital will be upgraded to a 1.5T unit, thereby operating one MRI unit each. No additional MRI equipment is being proposed by the application.

Golden Triangle further projects the following MRI procedures to be performed during the first three years of operation:

Projected MRI Procedures

Year 1	Year 2	Year 3
1,800	1,800	1,800

The applicant further states that while an increase in utilization of the equipment is likely due to improved accessibility, the need for two hospital related units has already been demonstrated by sustained historical operation and the conservative financial projections are based only on the

existing hospital utilization. As reported in the 2006 *State Health Plan*, the number of procedures in 2004 was 4,507. If 1,800 procedures are relocated as projected, the remaining utilization at the hospital would be 2,707 procedures, which far exceeds the upper end of optimal MRI use range of 2,500 procedures per unit. The number of procedures reported by the hospital in the 2005 Annual Hospital Survey was 4,506.

SHP Criterion 2 – Quality Assurance

The equipment is currently in operation at BMH – GT and has been approved by the FDA.

SHP Criterion 3 – Information Recording/Maintenance

The applicant confirms that data listed in this criterion will be kept and made available to the Mississippi Department of Health within 15 business days of request.

SHP Criterion 4 – Registration

Golden Triangle Diagnostic Center, LLC was formed with the Secretary of State on August 30, 2006, as a limited liability company authorized to do business in Mississippi.

SHP Criterion 5 – CON Approval

The applicant requests CON approval by submission of this application.

Criteria and Standards for the Offering of MRI Services

SHP Criterion 1 – Need

The applicant projects to perform 1,800 procedures the first, second, and third year of operation. These projections meet and exceed the minimum requirement of 1,700 procedures required per year.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

The applicant states that through affiliation with BMH-GT, which is less than one mile away and an owner in Golden Triangle Diagnostic Center, LLC, a full range of diagnostic imaging modalities for verification and complementary studies will be available.

SHP Criterion 3 – Accessibility

The applicant certifies that neither Golden Triangle Diagnostic Center, LLC nor its participating medical personnel shall have policies or procedures that would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 4 - Staffing

According to the applicant, BMH-GT currently has three radiologists who meet the requirements for this criterion, to be the Medical Director of Golden Triangle Diagnostic Center, LLC. The current sole member of the LLC, BMH-GT, anticipates retaining one of the same as its radiologist prior to opening the Diagnostic Center. A full-time physicist at BMH-GT is also accessible for contracted work at the proposed diagnostic center and will employ one full time MRI technologist radiographer to operate the MRI equipment.

SHP Criterion 5 – Research Staffing

The applicant, Golden Triangle Diagnostic Center, LLC certifies that a full-time medical physicist or MRI scientist with at least one year of experience in diagnostic imaging shall be available in the facility when an MRI unit is to be used for experimental procedures with formal approved protocols.

SHP Criterion 6 – Data Requirement

The applicant assures that: the data requirements listed for this criterion will be met; it will record and maintain, at a minimum, the information required in this criterion regarding charity care, care to the medically indigent, and Medicaid populations; and will make the required information available to the Mississippi Department of Health within 15 days of the request.

SHP Criterion 7 – CON Approval

This application has been submitted to comply with this requirement.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised August 12, 2006, (as amended), 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

According to the applicant, the facility has responded to the specific criteria and standards in the *State Health Plan* applicable to “relocation of MRI facility/equipment.” The proposed project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of MRI equipment and the offering of MRI services as contained in the *State Health Plan*.

GR Criterion 2- Long Range Plan

The applicant states that this proposal reflects the hospital's mission and is consistent with the long range BMH-GT development plan to provide capacities and services in modern facilities that make traditional and complex health care appropriately accessible to an area that has a relatively stable population base.

The applicant further states that BMH-GT completed a major project for outpatient services in the late 1990's and recently completed an upgrade of inpatient services. By adding a new tower to replace existing rooms that did not readily accommodate equipment for complex care, inpatient accommodations now provide complete bathing facilities which were not required in the original facility construction. BMH-GT improved the inpatient setting to improve staff efficiency, expand quality care and promote patient and staff satisfaction.

The applicant believes that this proposal is an extension of the planning criteria to make services appropriately accessible in modern facilities that will improve effective provision of high-quality MRI services and promote patient and staff satisfaction. By relocating existing MRI capacity to a new building constructed exclusively for outpatient care, the hospital is able to cost effectively improve accessibility without duplicating already available capacity.

GR Criterion 3- Availability of Alternatives

The alternatives that were considered before determining to proceed with the proposed project are listed as follows:

-To upgrade the 0.3T MRI equipment to a 1.5T unit and offer both 1.5T units at the hospital. This option was very expensive and had impact on many surrounding services including a potential complete relocation of the entire Nuclear Medicine Department. The applicant determined that this was not a cost effective solution.

-To relocate both MRI units away from the hospital building but within a short distance. However, even a short distance would create transportation issues for inpatients, potentially involving an ambulance ride for some that would have added cost to the healthcare system. This alternative would have reduced convenient access for inpatients and added expenses and additional work for staff to monitor patient transit.

-To continue with the program as it exists. Outpatient service schedule interruptions due to inpatient priorities were increasing and hurting patient goodwill. This option would also not allow the 0.3T to be upgraded in the current space design and was dismissed.

According to the applicant, the proposed project will start with the hospital as the sole member but allow subsequent participation by physicians. The applicant states that the community will benefit from the proposed facility as outlined below:

- Effective use of existing MRI capacity for outpatients in a facility designed specifically for ambulatory accessibility and managed by a group specializing in accommodating patients' needs;
- Upgraded MRI equipment with 1.5T units at both the proposed Diagnostic Center and BMH-GT;
- Avoidance of extensive hospital renovation cost to provide space to accommodate a larger MRI unit that will not fit in the area currently housing a lower strength open gantry magnet;
- Relocated rather than duplicated equipment and distribution of costs across multiple owners; and
- Reduced operating expenses that will allow MRI services to be provided at a reduced charge to patients.

GR Criterion 4- Economic Viability

The applicant states that Golden Triangle Diagnostic Center, LLC is a new entity that has recently filed for registration in Mississippi. There are no historical financial statements. However, the application contains a letter from the Chief Financial Officer of BMH-GT, the initial sole member, attesting that funds are available, and financial statements for BMH-GT from the previous three years are also provided.

Based on the applicant's three year projected operating statement, this project will be economically viable. The applicant projected a net income of \$429,370 the first year, \$412,993 the second year, and \$398,284 the third year.

The applicant states that during the first year of operation the cost to the hospital will be \$488 per MRI scan and \$2,000 to the patient per scan. The applicant's proposed costs and charges are reasonable, compared to similar providers.

According to the applicant, the projected level of utilization is based on actual performance of the MRI units at the hospital which represents the service area of General Hospital Service Area 1 (GHSA 1).

Start GR Criterion 5 – Need for the Project

The applicant states that BMH-GT provides health care services to patients in need of the services regardless of age, creed, sex, race, or ability to pay. The proposed facility will continue to serve the same population, including low income, racial and ethnic minorities, women, and handicapped persons.

The project proposes the establishment of a facility and relocation of MRI equipment and services less than a mile away from the current location. Therefore, the applicant does not believe that there will be an adverse impact on the ability of low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly, to obtain MRI services.

According to the FY 2006 *State Health Plan*, there were 17 providers of MRI services operating at 18 locations in GHSA 1 in FY 2004. These 18 providers performed a total of 46,382 procedures utilizing 20.4 FTE MRI units. This equates to approximately 2,274 procedures per unit. Updated information indicates that these same units performed 50,213 procedures in FY 2005 for an average of 2,267 procedures per FTE MRI unit.

Updated information also indicates that four additional providers received CON approval in FY 2004 and FY 2005 for mobile MRI services. Assuming that these additional providers operate for the days proposed and that the total procedures performed remain the same, staff estimates that GHSA 1 could perform 2,147 procedures per unit, utilizing 22.15 FTE units. The table in attachment 2 shows the number and locations of both fixed and mobile MRI units for FY 2003, FY 2004, and FY 2005.

The applicant indicates that an existing MRI unit will be relocated from its parent company, BMH-GT, and that there will be no net increase in MRI units in the area. Therefore, it does not project an impact on utilization in affected facilities or services.

However, 23 letters of opposition were received from area physicians claiming that the application will cause an adverse impact on their patients and existing providers in the area. An additional letter of opposition to the project was received from an attorney representing facilities in the area.

GR Criterion 6- Access to the Facility

The applicant affirms that services will be provided to the residents in the proposed service area without regard to race, ethnicity, sex, age, religion, or handicap. The applicant further affirms that MRI services will be made accessible to Medicare, Medicaid, and the medically underserved patients.

GR Criterion 7 – Information Requirement

The applicant affirms that it will record and maintain, at a minimum, the following information regarding charity care, care to the medically indigent, and Medicaid populations and will make such information available to the Mississippi Department of Health within 15 days of a request from the Department as noted in this criterion.

GR Criterion 8 – Relationship to Existing Health Care System

The applicant states that this proposal involves the relocation of an existing MRI unit from BMH-GT, to a location less than one mile away. It is anticipated that the outpatients served at the hospital will relocate with the equipment. The population to be served by the new location is the same population that is currently served by BMH-GT.

GR Criterion 9 – Availability of Resources

The applicant affirms that staff for the proposed service will be obtained by recruitment through the LLC's members. Personnel recruitment assistance is accessible through the resources of BMH-GT and the Baptist Memorial Health Care Corporation.

GR- Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that no additional ancillary service is required. The applicant further states that maintenance agreements will be continued through established resources for the existing MRI equipment.

GR- Criterion 11 – Health Professional Training Programs

The applicant states that the only technical employee will be an MRI technologist. Training programs are in place in the MidSouth area with one source at the Baptist Memorial College for Health Science.

GR – Criterion 12 – Access by Health Professional Schools

The applicant states that as part of the Baptist Memorial Health Care System, BMH-GT participates in a number of health professional training programs. Golden Triangle Diagnostic Center, LLC will also support student training as appropriate under supervision of registered and/or licensed personnel.

GR Criterion 16 – Quality of Care

Golden Triangle Diagnostic Center is a new entity, whose sole member is BMH-GT. Baptist Memorial Hospital-Golden Triangle is a hospital accredited by the Joint Commission on Accreditation of Healthcare Organizations. The relocation of the MRI unit will allow effective outpatient service in a facility that is designed for ambulatory accessibility and managed by a group specializing in accommodating ambulatory patients' needs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Contingency Reserve	10,000
Fixed Equipment	250,000
Non-Fixed Equipment	-
Land Cost	-
Site Preparation	-
Fees (Architectural, Consultant, etc)	-
Contingency Reserve	-
Capitalized Interest	-
Total Proposed Capital Expenditure	\$260,000

According to the applicant, the \$260,000 capital expenditure will be for the purchase of the Fixed Equipment. The space will be leased from a medical office building.

B. Method of Financing

The applicant anticipates financing the project with equity contributions.

C. Effect on Operating Costs

Golden Triangle Diagnostic Center, LLC's, three-year projected operating statement is provided in Attachment 1. The applicant's projections include: expenses, utilization, and results from operation for the first three years following completion of the proposed project.

D. Cost to Medicaid/Medicare

The applicant's projected cost to third party payors is as follows (based on Net Patient Revenue):

Patient Mix by Payor	Utilization Percentage	First Year Cost
Medicaid	6%	\$ 74,360
Medicare	18%	\$234,433
Commercial	70%	\$919,735
Self Pay	1%	\$17,095
Other	5%	\$61,468
Total	100%	\$1,307,091

Golden Triangle Diagnostic Center projects 4% of gross patient revenues will be provided to medically indigent patients.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services will be paid as outlined in the Medicaid State Plan. The Division does not oppose the application.

VI. CONCLUSION AND RECOMMENDATION

This application is in substantial compliance with the criteria and standards for the acquisition or otherwise control of MRI equipment and offering of MRI services as contained in the *FY 2006 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised August 12, 2006, (as amended); and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted on behalf of Golden Triangle Diagnostic Center, LLC.

ATTACHMENT 1			
Golden Triangle Diagnostic Center LLC			
Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Gross Patient Care Revenue	\$3,600,000	\$3,780,000	\$3,969,000
Deduction From Revenue			
Deduction From Revenue	(\$2,142,909)	(\$2,292,135)	(\$2,451,767)
Charity/Bad Debts	(\$150,000)	(\$157,500)	(\$165,375)
Net Patient Care Revenue	\$1,307,091	\$1,330,365	\$1,351,858
Total Operating Revenue	<u>\$1,307,091</u>	<u>\$1,330,365</u>	<u>\$1,351,858</u>
Operating Expenses			
General & Admin Services	\$98,280	\$102,211	\$102,211
Benefits	23,878	25,072	25,072
Supplies	83,000	86,320	89,773
Services	477,172	501,031	526,082
Depreciation	37,143	37,143	37,143
Lease Expense	28,248	29,095	29,968
Other	130,000	136,500	143,325
Total Operating Expense	<u>\$877,721</u>	<u>\$917,372</u>	<u>\$953,574</u>
Net Operating Income	<u>\$429,370</u>	<u>\$412,993</u>	<u>\$398,284</u>
Assumptions			
Number of Scans	1,800	1,800	1,800
Charge per Scan	\$ 2,000	\$ 2,100	\$ 2,205
Cost per Scan	\$488	\$510	\$530

ATTACHMENT 2
General Hospital Service Area 1
Location and Number of MRI Procedures

Facility	Location	Type/No. of Equip.	Number of Procedures FY 2003	Number of Procedures FY 2004	**Number of Procedures 2005	Days Operated	FTE Unit
Baptist Memorial Hospital – Booneville	Boonville	F	566	756	846	M-F	1
Baptist Memorial Hospital – Golden Triangle	Columbus	F(2)	4,804	4,507	4,506	M-F	2
Baptist Memorial Hospital – North Miss	Oxford	F(2)	4,400	3,676	3,888	M-F	2
Baptist Memorial Hospital - Union County	New Albany	F	2,069	2,251	2,094	M-F	1
Gilmore Memorial Hospital, Inc.	Amory	M	1,295	1,461	1,460	M-F	1
Grenada Lake Medical Center	Grenada	F	1,828	2,502	3,024	M-F	1
Imaging Center of Columbus	Columbus	F(2)	1,135	1,928	4,243	M-F	2
Imaging Center for Excellence/ Inst - MSU	Starkville	F	-	-	CON (1/3 private)	-	0.33
Imaging Center of Gloster Creek Village – f.k.a Medical. Imaging & Diagnostics, LLC	Tupelo	F	2,633	3,751	3,908	M-F	1
Magnolia Regional Health Center	Corinth	F(2)	4,238	4,216	4,472	M-F	2
North MS Medical Center, luka	Tishomingo	M	653	820	915	M,W,F	0.6
North MS Medical Center- West Point f.k.a. Clay County Medical Center	West Point	M	666	678	778	Tu,Th	0.4
North MS Sports Medicine & Orthopedic Clinic, PLLC	Tupelo	M	-	CON	181	M-F	1
North Miss Medical Center	Tupelo	F(4)	16,622	16,136	16,009	M-F	4
Oktibbeha County Hospital	Starkville	F/M	1,368	1,525	1,687	M-F	1
Pioneer Community Hospital	Aberdeen	M	0	0	CON	1 day/wk	0.2
Preferred Imaging	Batesville	M	680	723	1,023	M,Tu,Th	0.6
*SMI – North Oak Regional Hospital	Senatobia	M	0	72	72	M (AM)	0.2
Yalobusha General Hospital	Water Valley	M	276	463	463	W (PM)	0.2
*SMI – Winston Medical Center	Louisville	M	0	CON	-	-	-
Trace Regional Hospital	Houston	M	136	243	225	F	0.2
Tri-Lakes Medical Center	Batesville	M	0	650	538	F	0.2
Webster Health Services, d/b/a Webster Hospital	Eupora	M	0	0	CON	2 days/wk	0.4
Total			43,369	46,382	50,332	-	-
Full Time Equivalent Units			20.0	20.4	22.15	-	-
Average Number of Procedures			2,168	2,274	2,272	-	-

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.
**Updated Procedures from 2007 State Health Plan.
N/A – Not Available F/M – Fixed/Mobile MRI unit
*SMI – Scott Medical Imaging
FTE – Full Time Equivalent Units