

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MAY 2010**

**CON REVIEW: MU-A-0210-006
SCOTT MEDICAL IMAGING, LLC
ESTABLISHMENT OF MOBILE MRI SERVICES
AT MEDICAL ASSOCIATES OF VICKSBURG
LOCATION: VICKSBURG (WARREN COUNTY) MISSISSIPPI
CAPITAL EXPENDITURE: \$750.00**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Scott Medical Imaging, LLC (SMI) is a for-profit limited liability corporation, operating in the state of Mississippi as a mobile vendor and provider of magnetic resonance imaging (MRI) services. SMI has been doing business in the state of Mississippi since November 30, 1995, and received a letter of good standing from the Office of the Secretary of State. SMI is governed by a three-member board. SMI provided certification and a resolution from the corporation's CEO, Dr. Mohammad Athar, endorsing the project.

B. Project Description

Scott Medical Imaging requests CON authority to add Medical Associates of Vicksburg located in Warren County, Mississippi to SMI's existing mobile route. The Philips Intera 1.5 Tesla mobile MRI unit will be at Medical Associates of Vicksburg three days per week (Monday p.m., Wednesday p.m. and Friday p.m.).

The applicant proposes a capital expenditure of approximately \$750.00 which is for the electric receptacle. The applicant included a projected operating statement for the first and second years of operation (See Attachment 1). The proposed project will not require any additional personnel or financing; however, the capital expenditure will be satisfied through SMI's accumulated cash reserves.

The project will be implemented immediately upon CON approval.

The applicant received correspondence from the Division of Licensure and Certification asserting that a site review is not required for the proposed project.

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 June 7, 2010.

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 (CON) authority for offering MRI services. This application is not 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 proposed project is to add the Medical Associates of Vicksburg to SMI's existing North route on Mondays, Wednesdays, and Fridays during the p.m. hours.

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 a letter signed by five physicians and six nurse practitioners stating they currently refer on average 75 MRI procedures per month to other facilities.

The applicant submits the following data regarding the number of procedures performed in 2009 for Scanner #1 North route and proposed number of procedures to be performed during the first three years of this project:

Scanner #1 Current North Route

Facility Name	Day	Time	2009 No. of Procedures Performed	~2008 No. of procedures performed	~2007 No. of procedures performed
Ridgeland Diagnostic Center	Mon	AM	324	321	367
Hardy Memorial	Mon	PM	351	130	775
Madison Specialty Clinic Canton	Tue	AM	358	475	378
Leake Memorial Carthage	Tue	PM	279	310	204
Tyler Holmes Winona	Wed	AM	322	385	326
∞Tri Lakes Hosp. Batesville	not provided	not provided	280	294	362
Total			1,914	1,915	2,412

~Source: 2010 State Health Plan

∞ Discontinued service in October 2009

Scanner #1 Proposed North Route
 Philips Intera 1.5 Tesla

Facility Name	Year 1 Projection	Year 2 Projection	Day	Time
Ridgeland Diagnostic Center	450	500	Mon	AM
^Medical Associates of Vicksburg	430	480	Mon Wed Fri	PM
Madison Specialty Clinic of Canton	400	575*	Tues	AM
Leake Memorial Carthage	350	500*	Tues	PM
Tyler Holmes Winona	350	475	Wed	AM
TOTAL	1,980	2,530		

^ Proposed facility to be added to existing route.

*The applicant states that SMI is allowed to provide MRI service to Medicaid patients through hospitals. As a result, SMI is expecting a significant increase in numbers of MRI performed currently and in subsequent years.

As shown above, the equipment currently provides mobile MRI services at five different sites. In 2008, the unit performed 1,915 MRI procedures and is projected to perform 1,980 procedures for the first year of operation at the Vicksburg Clinic and 2,530 procedures by the second year of operation. The applicant's projection does not meet the 2,700 minimum procedures required by the second year of operation.

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

Year 1	Year 2
430	480

Based on information above, the applicant failed to meet the required service volume of 2,700 procedures annually by the end of the second year of operation.

The applicant states that Vicksburg has experienced substantial growth in population the past few years and that the number of patients seen at Medical Associates of Vicksburg ranges from 150 to 200 every day.

However, the applicant failed to demonstrate that the equipment will perform 2,700 procedures by the second year. Therefore, the applicant is not in compliance with the need criterion.

SHP Criterion 2 – Documentation of Diagnostic Imaging Modalities

SMI certifies that a full range of radiology diagnostic imaging modalities for verification and complimentary studies will be available through Medical Associates of Vicksburg.

SHP Criterion 3 – Accessibility

The applicant certifies that within the scope of its available services, neither the applicant, 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 Dr. Mohammad Athar is a board certified Radiologist who has been the technical director of SMI since its existence. The applicant further states that Dr. Athar is certified in Diagnostic Radiology and Nuclear Medicine imaging. SMI will provide the full-time MRI technologist and the technologist will be available at all times when the facility is in operation.

SHP Criterion 5 – Research Staffing

SMI 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

Scott Medical Imaging, 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 December 1, 2009*, 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 be able to continue to provide mobile MRI service to the underserved rural hospitals and other health care facilities.

GR Criterion 3 – Availability of Alternatives

The applicant submits this option as its only alternative, which will improve healthcare out come for patients and effectively accommodate patient's physical and financial needs.

GR Criterion 4 – Economic Viability

SMI contends that as a mobile MRI provider they do not control the charges; however, by having control over the equipment and finances they have leverage to accommodate less fortunate patients and extend service as charity or at substantially reduced rate.

Staff could not determine if the proposed project will be economically viable by the third year of operation because the applicant failed to submit a complete three-year projected operating statement for the proposed project.

GR Criterion 5 – Need for Project

The applicant submits that having MRI capabilities at the Medical Associates of Vicksburg facility will improve healthcare out come for the patients and will also aide the clinic to effectively accommodate patient's physical and financial needs.

Currently there are two facilities in Vicksburg, Warren County, offering MRI services. Those facilities performed 3,759 procedures in 2008 for an average of 2,349 procedures per unit utilizing 1.6 FTE units.

The application contains no letters of support for the proposed project.

The Department received one letter 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 have access to the services of the existing facility and will continue to have access.

The applicant projects gross patient revenue of approximately \$30,000 through \$40,000 will be provided to charity patients for the first year of service.

The applicant notes that Medicaid changed its classification to IDTF; hence, they were not able to extend their services to medically indigent

patients. The applicant further indicates that Mississippi State Department of Health and Division of Medicaid have allowed Clinics and Hospitals to provide service to medically indigent patients and bill under the facilities' CON. As a result, they are expecting a sizable number of medically indigent patients to utilize the MRI service through the clinic.

GR Criterion 7 – Information Requirement

SMI 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 request.

GR Criterion 8 – Relationship to Existing Health Care System

The applicant submits that there are other MRI services available in Vicksburg which are working at their maximum capacity.

There are two facilities operating in Vicksburg which performed an average of 2,349 procedures per unit during FY 2008.

The Department received one letter of opposition for the proposed project from River Region Health System indicating that the project will have an adverse impact on the River Region services.

GR Criterion 16– Quality of Care

The applicant states that patient comfort is very important to SMI and the staff makes patients' visits as pleasurable as possible by providing them with a clean and comfortable atmosphere. The applicant further states that the patients have the option as a personal choice of hearing protection or listening to music of choice while the scan is being performed.

IV. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

The applicant states that the only cost associated with the proposed project is \$750 which is for the installation of the electric receptacle.

B. Method of Financing

The capital expenditure for the proposed project is \$750. The applicant proposes to fund the project through cash reserves.

C. Effect on Operating Costs

With regard to this project, the applicant's projected Operating Statement for Medical Associates of Vicksburg for the first year of operation is listed as attachment 1.

The applicant projects to perform 430 MRI procedures the first year and 480 MRI procedures the second year of operation at Medical Associates of Vicksburg. The cost and charge per scan will be \$313 and \$1,600 respectively.

D. Cost to Medicaid/Medicare

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

Patient Mix by Payor	Utilization Percentage	First Year Cost
Medicare	48%	\$330,240
Medicaid	25%	\$172,000
Other Payors	25%	\$172,000
Charity	<u>2%</u>	<u>\$13,760</u>
Total	100%	\$688,000

V. RECOMMENDATION 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

This project is not 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, 2009 revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health. Specifically, the project does not comply with the following:

- ✓ **SHP Criterion 1 – Need.** The applicant failed to demonstrate that the route will perform 2,700 procedures by the second year of operation.

- ✓ **GR Criterion 4 – Economic Viability.** The applicant did not submit a complete three-year projected operating statement; therefore, the economic viability of the project is questionable. In addition, the applicant relies upon being able to bill Medicaid through hospitals for medically indigent patients. The proposed site is not a hospital; therefore, the applicant will likely not be able to meet its projections for Medicaid patients.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Scott Medical Imaging for the offering of mobile MRI services at Medical Associates of Vicksburg.

**ATTACHMENT 1
 SCOTT MEDICAL IMAGING, LLC
 PROJECTED OPERATING STATEMENT***

	Medical Associates of Vicksburg Year 1	Medical Associates of Vicksburg Year 2
Revenue		
Gross Patient Care Revenue	\$688,000	\$768,000
Deduction From Revenue		
Charity/Indigent Care	(\$16,125)	(\$18,000)
Contractual Adjustments	(\$539,435)	(\$583,632)
Provision for Bad Debt	(\$13,760)	(\$15,360)
Total Deductions	<u>(\$569,320)</u>	<u>(\$616,992)</u>
Net Patient Care Revenue	\$118,680	\$151,008
Total Operating Revenue	<u>\$118,680</u>	<u>\$151,008</u>
Operating Expenses		
Supplies	6,700	8,890
Lease Expense	9,000	9,000
Other Direct Expense (Power)	900	1,250
Other Indirect Expense (fuel/truck maint.)	2,850	2,992
Total Operating Expense	<u>\$19,450</u>	<u>\$22,132</u>
Net Operating Income	<u>\$99,230</u>	<u>\$128,876</u>
Assumptions		
Number of Scans	430	480
Charge per Scan	\$1,600	\$1,600
Cost per Scan *	\$313	\$313

* Year 3 not included