

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

**CON REVIEW FSF-RE-0311-004
IMAGING CENTER OF MERIDIAN, LLC
ACQUISITION OR OTHERWISE CONTROL OF
MAGNETIC RESONANCE IMAGING (MRI) EQUIPMENT
CAPITAL EXPENDITURE: \$400,000
LOCATION: MERIDIAN, LAUDERDALE COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Imaging Center of Meridian, LLC is a Mississippi Limited Liability Company formed February 27, 2003 and contains 10 members. The LLC is member-managed, and the managing members are Dr. James Green, Dr. David Pomierski, and Robert Jicks. The registered office of said Limited Liability Company is located at: 2021 24th Avenue Suite B, Meridian, Mississippi 39301.

B. Project Description

Imaging Center of Meridian, LLC (Imaging) requests Certificate of Need (CON) authority for the acquisition or otherwise control of magnetic resonance imaging equipment. The Imaging Center proposes to replace its current mobile MRI service with MRI equipment and full-time service at its current location, as well as to operate its full-time mobile unit on a mobile route to include other CON approved providers other than the applicant's current location in Meridian.

The Imaging Center of Meridian plans to acquire and install a mobile 1.5 T Excite HD 12 X 8 Channel Short Bore MRI Unit. The applicant seeks approval to act as a vendor of mobile MRI services at other CON-approved sites in the future should the opportunity to do so arise.

According to the applicant, at present, the Imaging Center of Meridian provides service five (5) days a week using mobile equipment leased from Alliance Health Care Services, Inc. (Alliance). After the lease termination with Alliance and, upon CON approval of the proposed project, the Imaging Center of Meridian will purchase its own MRI equipment. The new equipment will be a refurbished mobile magnet, and at the outset of its use, will be located at the same location where services are currently provided and will continue to be provided five days a week. No construction or renovation will be needed to convert the service, and there should be limited interruption of the availability of services due to proposed project, because both the current leased unit and the unit to be purchased are mobile and in self-contained trailers.

According to Imaging Center of Meridian, there will be no new personnel needed, and the Imaging Center has historically provided all supplies for the operation of its business.

The total proposed capital expenditure is \$400,000 for the purchase of fixed equipment (Mobile MRI Unit) for the proposed project.

According to the MSDH Division of Health Facilities Licensure and Certification a site review of the proposed project is not required because the proposed mobile MRI addition is attached to business occupancy. Business occupancies that are not hospital affiliates are not covered under the fire safety and construction's jurisdiction.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for major medical equipment acquisition in accordance with Section 41-7-191, subparagraph (1)(f) 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 6, 2011.

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

A. State Health Plan (SHP)

The *FY 2011 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 of MRI equipment. In addition, the conversion from mobile service to fixed MRI service is considered the establishment of a new MRI service and require CON review. The applicant propose to convert from mobile service to fixed based service, utilizing and operating a mobile MRI unit. This application is in substantial compliance with applicable criteria and standards.

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

SHP Criterion 1- Need

The entity desiring to acquire or otherwise control MRI equipment must document that the equipment shall perform a minimum of 2,700 procedures per year using the procedures estimation methodology presented in the *2011 Plan*. The *2011 Plan* provides, however, that: "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."

Imaging Center of Meridian, LLC is a current provider of MRI services and is in compliance with the *State Health Plan*. The proposed project (acquisition or otherwise control of magnetic resonance imaging (MRI) equipment) will allow the applicant to seek approval to act as a vendor of mobile MRI services at other CON approved sites in the future should the opportunity to do so arise.

The applicant asserts that the need for the project is due to the Imaging Center of Meridian relying on its historical utilization together with the commitments of area physicians to refer additional procedures to the proposed MRI unit. Specifically, The Imaging Center performed 709 and 2,320 scans in 2009 and 2010, respectively. The applicant believes that in addition to the continued need for MRI services in Lauderdale County, GHSA 6, and neighboring counties in Alabama, various referring physicians have committed to refer additional MRI procedures to the new MRI unit. However, the Imaging Center of Meridian, LLC is a non-hospital based MRI facility, thus may submit affidavits for referring physicians as contained in the *Plan*. The application contained two (2) affidavits signed by physicians indicating that they will collectively refer 500 MRI procedures per year. The applicant projects the total number of scans the Imaging Center of Meridian will perform are 2,800, 3,000 and 3,100 in year one, two and three respectively. The applicant asserts that in March and April of the year 2011, the Imaging Center of Meridian, LLC has continued to perform scans at a pace that exceeds last year's numbers by 18-20 percent (709 MRI procedures). The applicant believes these figures support the projected MRI procedures and demonstrate even more clearly that the Imaging Center of Meridian is performing procedures at a volume that satisfies the need requirement for the proposed project.

The applicant asserts that the Imaging Center of Meridian projects its future utilization based on its historical utilization, the pattern of growth it has experienced in that utilization, facts concerning its service in 2010 and changes that unquestionably will result in increased scan volumes for this year and years following. Additionally, the applicant asserts that it relies on the commitments it has received from several area physicians to refer additional procedures once

the proposed project is CON approved. The applicant submits that together with the historical utilization, the established growth pattern in MRI scan numbers, those commitments provided in affidavits contained in this application, will result in the Imaging Center of Meridian reaching or, more likely exceeding, the projected MRI scan volumes for the first three years of operation of the proposed new MRI unit.

The Imaging Center of Meridian asserts that the population base, in GHSA 6 and neighboring counties in Alabama is more than adequate to support the projected utilization. The applicant asserts that its service area would include all of GHSA 6, plus Choctaw, Greene, Pickens and Sumter Counties in Alabama. The total population in those counties is 234,307. The applicant further states that the Mississippi's use rate for MRI, based on 2009 procedures numbers, is 87.17. The calculation reflects a need for 20,424 scans. Attachment 1 shows the MRI sites in GHSA 6, both fixed and mobile, and full time equivalents (FTEs). The *2011 State Health Plan* shows the 2010 population projection for GHSA 6 to be 179,417.

The Imaging Center of Meridian plans to acquire and install a mobile 1.5 T Excite HD 12 X 8 Channel Short Bore MRI Unit. The applicant seeks approval to act as a vendor of mobile MRI services at other CON-approved sites in the future should the opportunity to do so arise.

SHP Criterion 2 – Assurances

According to the applicant, the Imaging Center documents that the equipment (2005 GE 1/5T Excite HD 12 x 8 Channel Short Bore Mobile MRI) it plans to purchase is FDA approved, that only qualified personnel will be permitted to operate the equipment, and that no fixed/minimum volume contracts will be permitted in the event the equipment is rented, leased or used by other qualified providers on a contractual basis.

In addition, the application contained a proposed contract for purchase of the equipment with Medical Imaging Solutions Group, Inc., Texas.

SHP Criterion 3 – Information Recording/Maintenance

Imaging Center of Meridian, LLC affirms that it will keep and make available to the Mississippi State Department of Health upon request all information required in parts a through d of this criterion. In addition, the applicant asserts that such information, if requested, will be made available within 15 business days of the request.

SHP Criterion 4 – Authorized Entity

The applicant provided documentation that Imaging Center of Meridian, LLC is authorized to do business with the state of Mississippi.

SHP Criterion 5 – Authorization to Provide MRI

The applicant is a current provider of MRI services and is in compliance with the *Plan*. Imaging Center of Meridian, LLC is seeking CON approval for the acquisition of MRI equipment. The applicant affirms that it will not convert its current equipment and begin providing services with a new piece of equipment until and unless it receives CON approval from the Department.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2010 revision*, 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 2011 State Health Plan* as discussed above.

GR Criterion 2 - Long Range Plan

According to the applicant, the Imaging Center of Meridian has planned since its inception to broaden its service from only days each week to a full-time service. It accomplished that increase in service, and has since planned for the conversion of its leased mobile service to service its owned with equipment it owned, in order to eliminate the equipment lease expense and to increase the quality and efficiency of and access to services it offers.

GR Criterion 3- Availability of Alternatives

The applicant states that it considered all available alternatives to the proposed project for replacement of its existing leased MRI equipment. Specifically, the imaging Center of Meridian considered the following three alternatives to the project:

1. Maintain the status quo with Alliance as a lessor of its equipment.
2. Maintain the status quo from the CON perspective about changing providers from Alliance to another mobile service provider.
3. Convert to a fixed unit and building out space in the existing facility to house a fixed unit. The option presented in this project was selected because it best serves the intended purposes of the Imaging Center of Meridian to provide

higher quality scans more efficiently to its patients. This alternative also provides the ability to meet those intents while incurring the least amount of capital or operational expense for future services.

The Imaging Center of Meridian believes that the proposed project will benefit the health system of Meridian, Lauderdale County and the surrounding areas. There is no less costly alternative for this project, and as previously mentioned, this project will create no unnecessary duplication of services.

GR Criterion 4 - Economic Viability

Based on the applicant's three year projected operating statement, this project will be economically viable. The three-year projected operating statement contained in the application indicates net income of \$729,206 the first year, \$751,144 the second year, and \$853,115 the third year of operation.

The applicant states that the cost for an MRI scan will be \$326 per scan and the charge to patients will be \$1,293 per scan the first year of operation.

GR Criterion 5 - Need for the Project

According to the applicant, the Imaging Center of Meridian will provide service to and will not discriminate against those patients having low incomes, or who are members of a racial or ethnic minority, or who are women, handicapped persons or other underserved groups or the elderly, this group of people have historically formed parts of The Imaging Center's patient base, and fully expects that to continue.

According to the applicant, the Imaging Center of Meridian is not adding equipment to the service area. It is fully expected that MRI scans volumes will continue to increase for the current levels to above the required 2,700 scans per year. The applicant believes that it is equally confident that merely exchanging the leased mobile unit for a full-time mobile unit owned by the Imaging Center will have no adverse impact on other existing service providers. The Imaging Center of Meridian asserts that this is particularly true because the Imaging Center already provides service on a full-time basis, five days a week, with service available as needed on weekends. The service to be offered if this application is granted will remain at that same level full-time, five days a week, with weekends as needed.

According to the applicant, the Imaging Center of Meridian intends to provide better quality and more efficient MRI service to the residents of Meridian, Lauderdale County, and the surrounding area. The applicant asserts that this project will further the Plan's goals of cost containment, as the full-time ownership of its own equipment to be acquired upon CON approval of this

project, which will cost less than the leasehold amount the Imaging Center currently is required to pay.

The application contains approximately nine (9) letters and two (2) affidavits supporting this proposed project.

GR Criterion 6- Access to the Facility

According to the applicant, the Imaging Center of Meridian does not discriminate against and will provide completely free access to the poor, physically handicapped, women, elderly, and members of ethnic and racial minorities. The applicant asserts that it will continue to serve the needs of Medicare, Medicaid and medically indigent patients as it has in the past. Historically, the Imaging Center's Medicare patients load has been 28 percent and its Medicaid patients have comprised 10 percent of its business.

The applicant's projected percentage of gross patient revenue of health care provided to medically indigent patients for years one and two will be one (1) percent for the proposed project.

GR Criterion 7- Information Requirement

The Imaging Center of Meridian, LLC affirms that it will record and maintain, at a minimum, the information stated in this criterion regarding charity care, care to the medically indigent, and Medicaid populations 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 of Meridian is located in General Hospital Service Area 6 (GHSA 6). The applicant asserts that the target population will continue to have access to MRI services at the Imaging Center of Meridian as it has in the past only with more efficient, higher quality service due to the change in equipment.

According to the *2011 Plan*, GHSA 6 had a total of nine (9) MRI sites (mobile and fixed) in FY 2008 and FY 2009 utilizing 7.4 FTE MRI units. These sites and units performed a total of 17,172 MRI procedures in 2008 and 16,996 MRI procedures in 2009, with an average of 2,321/FTE unit for FY 2008 and 2,297/FTE unit for FY 2009.

The applicant does not expect this project to have an adverse impact on other providers of MRI services in GHSA 6 because this is simply an application to replace equipment, and not to add a new MRI service, there is no change in the population, no change in capacity for service in GHSA 6, and no potential for adverse impact to any existing service provider.

Staff concludes that this project should have no significant adverse affect on existing MRI providers in GHSA 6.

GR Criterion 9 - Availability of Resources

The applicant states that no new staff will be required as the result of this project. The Imaging Center of Meridian has always demonstrated a satisfactory staffing history, and currently employs: one (1) full time MRI technician, one (1) part time MRI technician and two (2) full time clerical/front office.

GR Criterion 11- Health Professional Training Programs

According to the applicant, the Imaging Center does not anticipate the service will be used for health professional training programs.

GR Criterion 16 - Quality of Care

The Imaging Center of Meridian, LLC asserts that it is committed to the provision of prompt, efficient high quality service to all patients who present for MRI procedures. Since its inception as a business, the Imaging Center has taken all needed actions to meet this commitment and the quality of its service has never been questioned. The Imaging Center of Meridian, LLC is a current provider of MRI services.

According to the applicant, the Imaging Center of Meridian, LLC is accredited by the American College of Radiology (ACR). The proposed MRI unit, upon CON approval, will be ACR certified. The application contains a copy of the Imaging Center of Meridian's ACR certification.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

According to the applicant, the total cost for the MRI equipment is \$400,000 (non-fixed equipment). No other cost is included in the capital expenditure.

B. Method of Financing

The applicant proposed to finance the project with a commercial bank loan in the amount of \$400,000 over a term of 60 months, at an interest rate of 6.00 percent. The application included a letter from JP Morgan Chase Bank, N.A., Lake Charles, Louisiana, indicating its commitment to financing the proposed project.

C. Effect on Operating Costs

Imaging Center of Meridian, LLC's three-year projected operating statement is provided in Attachment 2.

D. Cost to Medicaid/Medicare

The applicant's projection to third party payors is as follows:

Payor	Utilization Percentage	First Year Revenue
Medicaid	10%	\$362,079
Medicare	28%	1,013,824
Other	<u>62%</u>	<u>2,244,894</u>
Total	<u>100%</u>	<u>\$3,620,797</u>

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

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

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of MRI equipment as contained in the *FY 2011 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 Imaging Center of Meridian, LLC for the acquisition or otherwise control of magnetic resonance imaging (MRI) equipment.

Attachment 1

**General Hospital Service Area 6
 Location and Number of MRI Procedures**

Facility	Location	Type/ No. of Equip.	Number of Procedures FY 2008	Number of Procedures FY 2009	Days Operated 2009	FTE Unit
Anderson Regional Medical Center	Meridian/Lauderdale	F	-	CON	NA	-
H.C. Watkins Memorial Hospital	Quitman/Clarke	M	296	336	Tue & Thr (8 hrs)	.20
Laird Hospital	Union/Newton	M	875	699	M.W. & F (24Hrs)	.60
Neshoba General Hospital*	Philadelphia/Neshoba	M	258	1,563	M-Sat (48 Hrs)	1.00
Newton Regional Hospital	Newton/Newton	M	149	156	M-AM	.10
Orthopaedic Imaging Associates, LLC	Meridian/Lauderdale	M	863	709	Tu & Th.(16 Hrs)	.40
Regional Medical Support Center, Inc.	Meridian/Lauderdale	F(3)	8,229	7,076	M-F120 Hrs)	3.00
Rush Medical Group	Meridian/Lauderdale	F(2)	6,192	6,143	M-F(140 hrs)	2.00
Wayne County Hospital	Waynesboro/Wayne	M	310	314	M-PM	.10
Totals			17,172	16,996		7.40

Source: FY 2011 State Health Plan

F – Fixed Unit
 M -Mobile MRI unit

1. Scott Medical Imaging is the approved service provider.
2. Montfort Jones Memorial Hospital shares a fixed unit with Kosciusko Medical Clinic.
3. Regional Medical Support Center, Inc. performs MRIs for Anderson Regional Medical Center, Riley Memorial Hospital, & Rush Foundation Hospital.
4. Rush Medical Group performs MRIs for Rush Foundation Hospital.
5. *Neshoba General Hospital reported MRI correction in April 2010 as 1,560 MRI Scans for FY 2008.

ATTACHMENT 2

**Imaging Center of Meridian, LLC
 Three-Year Operating Statement**

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue			
Outpatient Care Revenue	\$3,620,797	\$3,879,403	\$4,073,386
Gross Patient Care Revenue	\$3,620,797	\$3,879,403	\$4,073,386
Charity	0	0	0
Deductions from Revenue	1,979,026	2,120,374	2,226,399
Net Patient Care Revenue	\$ 1,641,770	\$1,759,030	\$1,846,987
Total Operating Revenue	\$ 1,641,770	\$ 1,759,030	\$1,846,987
Operating Expenses			
Salaries	\$ 141,063	\$ 144,589	\$ 148,204
Benefits	18,108	18,561	19,025
Supplies	48,767	52,036	54,106
Services	334,886	356,977	373,818
Lease Expense	0	0	0
Depreciation	80,000	128,000	76,800
Interest	11,567	19,928	15,433
Other	278,173	287,795	306,486
Total Operating Expense	\$ 912,564	\$ 1,007,886	\$ 993,872
Net Operating Income	\$ 729,206	\$ 751,144	\$ 853,115
Assumptions			
Number of Scans	2,800	3,000	3,150
Charge per Scan	\$ 1,293	\$ 1,293	\$ 1,293
Cost per Scan	\$ 326	\$ 326	\$ 316