

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2004**

**CON REVIEW FSF-NIS-1203-033
HATTIESBURG RADIOLOGY GROUP, PLLC
CONTROL AND ESTABLISHMENT OF MOBILE MRI UNIT/SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: HATTIESBURG, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Hattiesburg Radiology Group, PLLC (Hattiesburg Radiology) is a Mississippi Professional Limited Liability Company, which was formed January 18, 1996. The registered office of the Hattiesburg Radiology is 5000 West Fourth Street, Hattiesburg, Mississippi. The corporate officers are Kenneth Duff, Craig Howard, Mark Molpus, Joseph Salloum and Gregory Vicker.

B. Project Description

Hattiesburg Radiology Group, PLLC requests Certificate of Need (CON) authority to establish mobile magnetic resonance imaging (MRI) services through a lease agreement with Alliance Imaging, Inc., a Delaware corporation. Hattiesburg Radiology Group, PLLC will enter into an operating lease with Alliance Imaging, Inc. (Alliance) through which the applicant will lease from Alliance an MRI unit, the tractor-trailer in which the MRI unit is located, the truck driver and an MRI technician. The proposed MRI equipment is a 1.5 Tesla High Field magnet which will be housed in a trailer. A copy of equipment specifications and the services contract between the applicant and Alliance are contained in the application. A draft of the lease agreement between Hattiesburg Radiology and Alliance Imaging, Inc. is also contained in the application for the proposed project.

According to the applicant, Hattiesburg Radiology will run a mobile MRI route to service Marion General Hospital, Walthall County General Hospital, Prentiss Regional Hospital and Covington County Hospital. Hattiesburg Radiology will be the provider of the MRI services and will lease a small area of space in each hospital's parking facility on which to park the mobile MRI unit. The applicant will provide MRI services to the referenced rural hospitals' patients and will bill the global fee for these services including, but not limited to, the technical and professional fees associated with the services. The hospitals serviced by the mobile MRI unit will not bill patients for any costs associated with the proposed mobile MRI services.

Applicant projects one additional full-time equivalent personnel at an estimated annual cost of \$31,000 for the proposed project. The applicant currently employs 16 radiologists and three (3) radiation oncologists at Hattiesburg Radiology Group, PLLC.

There is no capital expenditure projected for this project. The application contains letters from the MSDH Division of Health Facilities Licensure and Certification approving the sites for mobile MRI services at each hospital on the applicant's MRI route.

According to the applicant, the proposed project will be completed upon CON approval.

II. TYPE OF REVIEW REQUIRED

This application for provision of magnetic resonance imaging services is reviewed in accordance with Section 41-7-191, subparagraphs (1)(d), (xii), and (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 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 on March 4, 2004.

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

A. State Health Plan

The **FY 2004 State Health Plan** addresses policy statements, criteria and standards which an applicant is required to meet before receiving CON authority to acquire or otherwise control MRI equipment and provide MRI services. The applicant is in substantial compliance with applicable criteria.

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 specified equipment shall perform a minimum of 1,700 procedures per year and the applicant shall use an alternate methodology to project the annual patient service volume for the applicant facility.

Hattiesburg Radiology projects that the mobile MRI unit will perform in excess of 1,700 procedures during its first and second years of operation through the provision of mobile MRI services at the following hospitals: Marion General Hospital, Wathall County General Hospital, Prentiss Regional Hospital and Covington County Hospital. The application contains 31 affidavits from physicians indicating the number of MRI scans that will be referred to the Hattiesburg Radiology Group, PLLC.

The projected number of mobile MRI procedures that will be performed at each hospital is as follows for the mobile MRI route:

	<u>Year One</u>	<u>Year Two</u>
Marion General Hospital	612	936
Walthall County General Hospital	852	1,224
Prentiss Regional Hospital	168	242
Covington County Hospital	<u>192</u>	<u>168</u>
Total Projected Mobile MRI Scans	<u>1,824</u>	<u>2,568</u>

The table below gives the location and number of MRI procedures performed in General Hospital Service Area 6 (GHSA) for the past two fiscal years.

Table I
Utilization of MRI Data for GHSA 6

Facility	Location	Type of Equipment	No. of MRI Procedures 2001	No. of MRI Procedures 2002
Forrest General Hospital	Hattiesburg	Fixed	4,991	6,937
Hattiesburg Clinic, P.	Hattiesburg	Fixed	5,962	6,905
Open MRI, Inc.	Laurel	Mobile	CON	1,315
South Central Regional Medical Center	Laurel	Fixed	3,086	3,860
Southern Bone and Joint Specialist, P.A.	Hattiesburg	Fixed	3,739	3,540
Southern Medical Imaging	Hattiesburg	Fixed	CON	276
Wesley Medical Center	Hattiesburg	Fixed	3,328	3,338
Totals			21,106	26,171

Sources: **FY 2004 State Health Plan**, Applications for Renewal of Hospital License for Calendar Year 2002 and 2003, and Fiscal Years 2001 and 2002 Annual Hospital Reports

SHP Criterion 2- Quality Assurance

The application contains a copy of the proposed lease agreement between Alliance Imaging, Inc. and Hattiesburg Radiology which gives the MRI equipment specification, and documents FDA approval for the proposed project. The applicant affirms that only qualified personnel will be allowed to operate the mobile MRI equipment and that no fixed/minimum volume contracts will be permitted.

SHP Criterion 3 - Information Recording/Maintenance

Hattiesburg Radiology Group, PLLC affirms that it will record and maintain, at a minimum, which facilities have access to the equipment; the utilization of the equipment by each facility; and the appropriate financial, demographic and patient origin data for each facility. This information shall be available to the Mississippi State Department of Health within 15 days of request.

SHP Criterion 4 - Authorized Business Entity

Hattiesburg Radiology Group, PLLC is a Mississippi professional limited liability company formed January 18, 1996.

SHP Criterion 5 - Authorization to Provide MRI Services

The applicant is requesting approval to provide MRI Services.

Criteria for Offering of MRI Services

SHP Criterion 1 - Need

The applicant projects to perform 1,824 procedures the first year of operation, 2,568 the second and third years. These MRI projections are based on the physicians' affidavits of commitment contained in the application. These projections meet and exceed the minimum requirement of 1,700 procedures per year as required by this criterion.

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 service begins including, but not limited to, computed tomography (full body), ultrasound, angiography, nuclear medicine and conventional radiology. The proposed mobile MRI services will be performed at each hospital as referenced in the application for the proposed mobile MRI route/services. The application contains a proposed service agreement between Hattiesburg Radiology Group, PLLC and the referenced hospitals included in the MRI route.

SHP Criterion 3 - Accessibility

The applicant certifies that neither the facility where the mobile MRI service is 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 certifies that the full-time medical director of the MRI unit will meet the above referenced qualifications. Lance Faler, M.D., is going to be the full-time medical director of the proposed mobile MRI unit. Dr. Faler's curriculum vitae is contained in the application.

SHP Criterion 5 - Research Staffing

The applicant certifies that it will comply with this criterion in the event the MRI unit is used for experimental procedures. Hattiesburg Radiology Group, PLLC asserts that it does not anticipate that the MRI unit will be used for experimental procedures.

SHP Criterion 6 - Data Requirement

The applicant certifies that it will maintain all information required by this criterion and provide said information to the Department upon request.

SHP Criterion 7 - CON Approval

Hattiesburg Radiology Group, PLLC seeks the required CON approval.

B. General Review (GR) Criteria

Chapter 8 of the **Mississippi Certificate of Need Review Manual**, 2000 revision, addresses general criteria by which all applications for Certificate of Need are reviewed. This application is in substantial compliance with applicable criteria.

GR Criterion 3 - Availability of Alternatives

Hattiesburg Radiology Group, PLLC has determined that the establishment of MRI services through the proposed mobile MRI route is the most cost effective means of providing the service to the communities in need of it. The applicant believes that a more expensive alternative would be to place fixed site MRI units at some or all of the hospitals on the mobile route. This alternative would be too costly as a fixed unit would not operate at an optimal capacity at these facilities. The project, as proposed, is the most efficient and cost effective method of meeting the community needs.

GR Criterion 4 - Economic Viability

Based on the operation projections provided by the applicant, this appears to be an economically viable project. Financial projections in the application reflect net incomes of \$2,048 the first year, \$175,813 the second year and \$231,471 the third year of operation of the proposed project.

GR Criterion 5 - Need for Project

Applicant states that it does not discriminate against low income persons, racial and ethnic minorities, women, handicapped persons, and other under served groups or the elderly. Each of these groups will have access to the proposed facilities. Hattiesburg Radiology Group, PLLC used the current and projected utilization of like facilities or services within the proposed services area in determining the need for the proposed project. See **Table I**.

The application contains five(5) letters of support for the project.

GR Criterion 6 - Accessibility

The applicant asserts that if its CON is approved, medically under-served populations are expected to utilize the proposed services. The applicant submits that all residents of the service areas of the four (4) hospitals to be served by the mobile MRI unit will have access to the proposed MRI services. This includes Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, handicapped persons and the elderly.

GR Criterion 7 - Information Requirement

The applicant certifies 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

Currently, there are seven (7) existing MRI units in General Hospital Service Area 6. These units performed an average of 3,738.71 MRI procedures per unit during FY 2002. However, two units in GHSA 6 are not performing at the minimum 1,700 procedures threshold. See Table I of this staff analysis.

The applicant submits that the proposed project involves an enhancement of the services currently provided by the hospitals which the mobile MRI route will serve. The offering of the proposed services will ensure ease of access to the services, a continuity in the medical care of the hospitals' patients, rapid and efficient delivery of health care services and convenience to the residents in the area who would otherwise have to travel greater distances for MRI services. The applicant believes that no adverse impact to any existing MRI provider in the service area is anticipated as a result of the proposed project.

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

GR Criterion 9 - Availability of Resources

According to the applicant, the proposed MRI services will be staffed by the applicant's current radiology medical staff. One physician shall serve as the medical director of the mobile unit. Hattiesburg Radiology Group, PLLC asserts that it will not need any additional medical personnel for this project. The applicant anticipates the addition of one administrative staff member.

The applicant asserts that Hattiesburg Radiology Group, PLLC currently employs 16 full time radiologists to provide appropriate supervision of the proposed project. Sufficient physician support to insure proper utilization of the project is present, as evidenced by physician affidavits contained in the application for the proposed project.

GR Criterion 16 - Quality of Care

Hattiesburg Radiology Group, PLLC will be a new provider of mobile MRI services.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

No capital expenditure is projected for this project.

B. Method of Financing

The proposed project does not require any capital expenditure; therefore, no financing is required.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years following completion of this project:

Item	First Year	Second Year	Third Year
Salaries & Benefits	\$ 31,000	\$ 34,100	\$ 37,510
Supplies	\$ 10,000	\$ 11,000	\$ 12,100
Admin.& General	\$ 7,000	\$ 7,700	\$ 8,470
Operating Lease (\$375/test)	\$624,000	\$ 624,000	\$ 624,000
Operating Lease (\$290/test)	\$ 46,400	\$ 262,160	\$ 262,160
Lease (\$200/day)	\$ 41,600	\$ 41,600	\$ 41,600
Medical Director (\$300/day)	\$ 62,400	\$ 62,400	\$ 62,400
Total Operating Expenses	\$822,400	\$1,042,960	\$1,048,240

Revenue

Gross Pt. Rev.	\$2,061,120	\$3,046,932	\$3,199,279
Deductions	\$1,236,672	\$1,828,159	\$1,919,567
Net Income (Loss)	\$ 2,048	\$ 175,813	\$ 231,471

Procedures, Cost and Charges

Number of Procedures	1,824	2,568	1,568
Cost/Patient Day	\$450.88	\$ 406.14	\$ 408.19
Charge/Patient Day	\$ 1,130	\$1,186.50	\$1,245.83

D. Cost to Medicaid/Medicare

According to the applicant, Medicare and Medicaid outpatient adjustments are reflected in the contractual amount listed under deductions from revenue in the project's projected operating statement. Private pay patients will be responsible for their fees upon receiving services. For those private pay patients that do not assume responsibility for their fees, that amount is reflected in the indigent care figures in the projected operating statement.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project; however, no written comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the policy statements, criteria and standards contained in the **FY 2004 State Health Plan**; the **Mississippi Certificate of Need Review Manual**, revised 2000; 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 Hattiesburg Radiology Group, PLLC, for the control and establishment of mobile MRI unit/services .