

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

**CON REVIEW: HG-NIS-0405-010
WEBSTER HEALTH SERVICES, INC. D/B/A WEBSTER HOSPITAL
ESTABLISHMENT OF MOBILE MAGNETIC RESONANCE IMAGING (MRI) SERVICES
CAPITAL EXPENDITURE: \$40,000
LOCATION: EUPORA, MISSISSIPPI, WEBSTER COUNTY**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Webster Health Services, Inc. is a not-for-profit, tax-exempt, Delaware Corporation authorized to do business in Mississippi. The corporation has three corporate officers and is governed by a three-member Board of Directors appointed by the executive committee of North Mississippi Health Services, Inc., Webster Hospital's parent corporation. The hospital is a short-term acute care hospital licensed to operate 43 acute care beds. The facility is certified by the Joint Commission on Accreditation of Healthcare Organizations and licensed by the Mississippi Department of Health.

Webster Hospital's occupancy rates, average lengths of stay (ALOS) and Medicaid utilization rates for the medical surgical beds for the three most recent fiscal years are as follows:

**Webster Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2002	37.71	5.12	63.34
2003	41.73	4.25	59.67
2004	49.56	4.32	59.92

Source: Division of Health Facilities Licensure and Certification, MDH (MDH)

B. Project Description

Webster Health Services, Inc. d/b/a Webster Hospital requests Certificate of Need (CON) authority to establish mobile magnetic resonance imaging (MRI) services two days per week. The applicant proposes to provide mobile MRI services through a contractual agreement with Alliance Imaging, Inc. (formerly American Shared Hospital Services) of Alabaster, Alabama utilizing a GE 1.0T mobile MRI system. The application contains a copy of the service agreement between North Mississippi Health Services, Inc. the applicant's parent corporation, and Alliance Imaging, Inc., for the proposed project.

The total capital expenditure of \$40,000 is for minor improvements to park the mobile MRI unit at Webster Hospital. This capital expenditure includes the following improvements:

1. Concrete pad thickening at the MRI trailer axles and connector.
2. A shore power connection to provide electrical services post docking.
3. Voice/data services to MRI trailer.
4. Cautionary signage.

Alliance Imaging, Inc. was authorized by a Declaratory Ruling, dated March 11, 1997, to provide mobile MRI services in Mississippi.

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d), and (xii) of the Mississippi Code of 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 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 September 6, 2005.

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

A. State Health Plan (SHP)

The **FY 2005 State Health Plan** addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to provide MRI services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the provision of mobile magnetic resonance imaging services.

SHP Criterion 1 - Need

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 1,700 procedures per year and the procedures estimation methodology shall be used to project the annual patient service volume for the applicant facility.

Webster Hospital proposes to offer MRI services two days per week through an existing mobile route. Since Webster Hospital is proposing to provide services through an existing provider, use of the procedure estimation methodology is not required. The **Plan** provides that: "If the MRI in question is presently utilized by other providers of services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections." The mobile route is operated by Alliance Imaging, Inc., and includes the following providers:

Hospital	*Number of MRI Procedures for FY 2004
Iuka Hospital, Iuka	820
Baptist Memorial Hospital, Booneville	756
The King's Daughters Hospital, Greenville	674
Trace Regional Hospital, Houston	243
University Hospital, Lexington	283
Clay County Medical Center, West Point	678
King's Daughters Hospital, Brookhaven	1,013
H.C. Watkins Memorial Hospital, Inc., Quitman	-
Total	4,467

Source: * Application for Renewal of Hospital License for *Calendar Years 2004 and 2005, and Fiscal Years 2003 and 2004 Annual Hospital Reports*

Webster Health Services, Inc. d/b/a Webster Hospital states that access to MRI services is unavailable in Webster County with the closest MRI being 25 miles away in Starkville. The need for accessible MRI services is important, recognizing the practical daily physician referrals. Webster Hospital states that a high percentage of elderly patients in and around Webster County are inconvenienced by the absence of local MRI services. The applicant believes that offering mobile services two days per week will offset the inconvenience and provide quicker diagnosis.

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

Projected MRI Procedures

Year 1	Year 2	Year 3
432	672*	705*

*According to the applicant, increased utilization and expansion of the medical staff should increase the second year MRI referrals by 55 percent and third year MRI referrals by 5 percent for the proposed project.

According to the **FY 2005 State Health Plan**, there were 17 providers of MRI services operating 23 units in General Hospital Service Area 1. As reported in the **Plan**, the 23 units performed a total of 35,787 procedures in 2002 for an average of 1,556 procedures per unit. In 2003, the 23 units performed a total of 43,369 procedures, or an average of 1,886 procedures per unit, according to the **Plan** (see the following table).

**Location and Number of MRI
 Procedures in General Hospital Service Area 1**

Facility	Location	Type/No. of Equipment	No. of Procedures 2002	No. of Procedures 2003	*No. of Procedures 2004
Baptist Mem. Hosp.	Booneville	M	561	566	756
Baptist Mem. Hosp. – Golden Triangle	Columbus	F(2)	4,014	4,804	4,507
Baptist Mem. Hosp. – North Mississippi	Oxford	F(2)	4,068	4,400	3,676
Baptist Mem. Hosp. – Union County	New Albany	F	2,119	2,069	2,251
Clay County Med. Ctr.	West Point	M	440	666	678
Gilmore Mem. Hosp.	Amory	M	1,195	1,295	1,461
Grenada Lake Reg. Med. Ctr.	Grenada	M	1,258	1,828	2,502
Health South Radiology Clinic	Columbus	F	838	1,135	1,928
Iuka Hospital	Tishomingo	M	564	653	820
Magnolia Regional Health Center	Corinth	F(2)	3,933	4,238	4,216
Medical Imaging and Diagnostics, LLC	Tupelo	F	CON	2,633	3,751
North Ms. Med. Ctr.	Tupelo	F(4)	15,339	16,622	16,136
Oktibbeha Co. Hosp.	Starkville	M	1,310	1,368	1,525
Preferred Imaging, LLC	Batesville	M	CON	680	723
Trace Regional Hosp.	Chickasaw	M	145	136	243
Tri Lakes Med. Ctr.	Batesville	M	3	0	650
Yalobusha Gen. Hosp.	Water Valley	M	CON	276	463
SMI –Winston Medical Center	Louisville	M		0	CON
SMI –North Oak Regional Hospital	Senatobia	M		0	96
Total		23	35,787	43,369	46,382
Average			1,556	1,886	2,017

Source: **FY 2005 State Health Plan**, Applications for Renewal of Hospital License for *Calendar Years 2003 and 2004, and Fiscal Years 2002 and 2003 Annual Hospital Reports.*

*Updated Projections **FY 2006 State Health Plan**, MDH.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Webster Hospital asserts that it provides computed tomography (CT), ultrasound, nuclear medicine and conventional radiology. Webster Hospital indicates that angiography is offered by North Mississippi Medical Center, the applicant's flagship hospital of the parent corporation (North Mississippi Health Services). The applicant provided a copy of a letter from North Mississippi Medical Center indicating the availability of angiography services at North Mississippi Medical Center, Tupelo, MS, for Webster Hospital patient referrals. Angiography services, along with other North Mississippi Medical Center clinical services, are made available to patients primarily thru physician referrals for the proposed project.

SHP Criterion 3 - Accessibility

Webster Hospital confirms that it will comply with the conditions as required of this criterion.

SHP Criterion 4 - Staffing

According to the applicant, Dan Brasfield, M.D. the chief of radiological services at Webster Hospital, will assume the role as chief of MRI services. The full-time MRI technologists, will be provided by Alliance Imaging, Inc.

SHP Criterion 5 – Research Staffing

According to the applicant, no experimental procedures are to be performed on the MRI unit.

SHP Criterion 6 - Data Requirement

The applicant confirms that it will record and maintain the requested information and make it available to the Mississippi Department of Health.

SHP Criterion 7 - CON Approval

Alliance Imaging, Inc. is a current 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 Manual**, May 13, 2000, (as amended) addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 1 – Consistency with the State Health Plan

According to Webster Hospital, the offering of MRI services is a service directly addressed by the **Plan** to ensure appropriate distribution of service, quality and cost. The proposed project is in compliance with all the criteria and standards for the establishment of MRI services, as contained in the **Plan**.

GR Criterion 2 - Long Range Plan

According to the applicant, Webster Hospital seeks to provide affordable, state-of-the-art, treatment for all patients, which is consistent with its long range plans.

GR Criterion 3 - Availability of Alternatives

According to the applicant, two alternatives to mobile MRI services were considered and rejected for the reasons below:

1. Continue to not provide MRI services. The hospital considered this undesirable because of patient inconvenience and delayed diagnosis.
2. Purchase a fixed MRI. The applicant rejected this option because it would have high cost and low volume.

GR Criterion 4 - Economic Viability

Based on the applicant's three year projections, this project will be economically viable. The projected net income will be \$143,072, \$235,022 and \$259,145 for years one, two and three, respectively.

According to Webster Hospital, the cost to the hospital for a mobile MRI scan will be \$250 for scans 1 thru 120 the first year. The charge to patients is expected to average \$1,341 per scan for year one and \$1,408 for year two for the proposed project. The applicant's proposed costs and charges are reasonable, compared to similar providers.

The applicant states that the projected levels of utilization have been confirmed to be consistent with those experienced elsewhere in similar situations, primarily luka Hospital (on the same MRI vendor route).

GR Criterion 5 - Need for Services

According to the applicant, the need for the proposed project is based on the historical and projected referrals of Webster Hospital medical staff. During the one year period, October 2003 – September 2004, five-physician medical staff referred 293 patients to receive MRI tests. The application contains a list of the historical referral patterns for Webster Hospital's medical staff.

The applicant submits that the long-term results from implementing this proposal is for area residents to receive MRI services in close proximity to their homes. Webster Hospital states that offering this service will greatly enhance the ability of local physicians to effectively and efficiently care for their patients.

The application includes seven letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

The applicant states that Webster Hospital serves all of the population, including: low income, racial and ethnic minorities, women, handicapped persons. The hospital is located in an area which is proximal to this group of people and they are familiar with its facilities. The hospital provides health services to any individual who comes to it in need of such services regardless of age, creed, sex, race, or ability to pay.

The following table shows the percentage of estimated gross patient revenues and actual dollar amount of health care provided to charity/medically indigent patients for the past three fiscal years at Webster Hospital:

Fiscal Year	Percent of Gross Patient Revenue	Dollar Amount
2002	3.0	\$507,492
2003	3.0	\$591,267
2004	2.1	\$472,903

GR Criterion 7 - Information Requirement

The applicant states that it will record and maintain the requested information stated in the above criterion and make it available to the Mississippi Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

Webster Hospital is located in General Hospital Service Area 1 (GHSA 1). According to the **FY 2005 State Health Plan**, in 2003 GHSA 1 had a total of 23 MRI units (mobile and fixed) serving 17 facilities, for an average of 1,886 procedures per unit.

GR Criterion 9 - Availability of Resources

The applicant states that the hospital has available, or in the case of health personnel, will obtain adequate resources for the proposed MRI services.

GR Criterion 16 - Quality of Care

Webster Hospital will be a new provider of MRI services. The hospital is in compliance with the **Minimum Standards for the Operation of Mississippi Hospitals**, according to the Division of Health Facilities Licensure and Certification, MDH. Webster Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total capital expenditure of \$40,000 is for minor improvements to park the mobile MRI unit at Webster Hospital.

As previously mentioned, the above capital expenditure includes the following improvements: concrete pad thickening at the MRI trailer axles and connector; establishment of a shore power connection to provide electrical services post docking; establishment of voice/data services to MRI trailer; and cautionary signage.

B. Method of Financing

The applicant proposes to finance the proposed project from accumulated cash reserves of operation of Webster Hospital.

C. Effect on Operating Cost

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

Expenses	Year 1	Year 2	Year 3
General & Admin.	\$ 4,055	\$ 6,623	\$ 7,294
Lease Expense	\$ 108,000	\$ 176,736	\$ 194,580
Depreciation	\$ 2,667	\$ 2,667	\$ 2,667
Bad Debts	\$ 31,862	\$ 52,040	\$ 57,309
Total Expenses	\$ 146,584	\$ 238,066	\$ 261,850
Gross Pt. Revenue	\$ 579,312	\$ 946,176	\$1,041,990
Contractual Adjustments	\$ (272,277)	\$ (444,703)	\$ (489,735)
Charity	\$ (17,379)	\$ (28,385)	\$ (31,260)
Net Operating Income	\$ 289,656	\$ 473,088	\$ 520,995
Net Income	\$ 143,072	\$ 235,022	\$ 259,145
Number of Scans	432	672	705
Cost/Scan	\$ 339	\$ 354	\$ 371
Charge/Scan	\$ 1,341	\$ 1,408	\$ 1,478

D. Cost to Medicaid/Medicare

<u>Patient Mix by Type Payor</u>	<u>Utilization Percentage</u>	<u>First Year Cost</u>
Medicaid	12.1%	\$17,737
Medicare	60.5%	\$88,683
Other	<u>27.4%</u>	<u>\$40,164</u>
TOTAL	100.0%	\$146,584

The applicant projects approximately 5.5 percent of gross revenue for bad debt patients and 3 percent for medically indigent/charity care patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. According to the Division of Medicaid, outpatient services are paid as outlined in the **State Plan**. The Division takes no position on the application.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of MRI services, as contained in the **FY 2005 State Health Plan**, the **Certificate of Need Review Manual**, revised 2000; 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 by Webster Health Services, Inc. d/b/a Webster Hospital for the establishment of mobile magnetic resonance imaging service.