

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

**CON REVIEW: MU-A-0705-028
SCOTT MEDICAL IMAGING, LLC
AMENDMENT TO CON #R-0616 ESTABLISHMENT OF MRI SERVICES
ADDITION OF LEAKE MEMORIAL HOSPITAL AS A MOBILE MRI SITE
LOCATION: CARTHAGE, LEAKE COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$0**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Scott Medical Imaging, LLC (SMI) is a for-profit limited liability company operating in the state of Mississippi as a mobile provider of magnetic resonance imaging (MRI) services. Prior to July 2005, SMI operated as a provider of MRI services in General Hospital Service Areas (GHSAs) 1, 2, and 3. On June 16, 2003, SMI received a Certificate from the Office of the Secretary of State indicating the company has been doing business since November 30, 1995, and is presently governed by a three-member board. Scott Medical Imaging provided certification and a resolution from the company's CEO endorsing the project. The company will be certified to participate in the Medicare and Medicaid programs. The company received site approval from the Mississippi Department of Health, Division of Licensure and Certification.

B. Project Background (CON #R-0616)

Prior to 2003, SMI was a vendor that provided mobile MRI equipment to eight healthcare facilities on a contractual basis. At the time of application, SMI leased the following MRI units from Marconi Equipment Leasing and Philips Financial Group: Picker 1.0T Vista Polaris MRI System, installed inside a mobile unit and a Philips Intera 1.5 Telsa. On July 31, 2003, SMI was granted a Certificate of Need (CON), MU-NIS-0403-011, to establish and provide mobile MRI services to hospitals and clinics in the state of Mississippi. Since that time, SMI has been granted several amendments to the initial CON #R-0616 to add healthcare facilities to its mobile MRI route.

The applicant stated in the initial application that the project would not involve new construction or renovation or the purchase of new equipment. Scott Medical Imaging stated that their 2002 (current) equipment leasing cost for one year for one mobile unit was \$417,710. Their projected 2003 equipment lease for two mobile MRI units would be at an estimated cost of \$624,110 per year. The applicant affirmed they would employ four employees: three full-time employees and one part time technician at an estimated annual cost of \$236,197.

The project did not require a capital expenditure summary; however, a projected operating statement for the first year of operation was included in the application. The applicant stated that initial operating capital was provided by individual investments from investors. Scott Medical Imaging stated that revenues collected for services rendered to patients would be used to retire any debt.

C. Project Description

Scott Medical Imaging requests CON authority to add Leake Memorial Hospital (LMH) to SMI's existing mobile route. The Philips Intera 1.5 Telsa mobile MRI unit will be parked at the hospital Monday thru Friday and SMI will operate the mobile unit four hours per day between the hours of 8 AM to 12 PM or from 1 PM to 5 PM. Scott Medical Imaging will pay the hospital \$500 per month to lease the space from LMH. The amendment application does not require a capital expenditure summary; however, the applicant included a projected operating statement for the first year of operation and a balance sheet. The applicant will employ the same number of personnel at an estimated annual cost of \$276,341.69. The proposed project will not require any financing nor will any additional debt financing be required for the amendment project. The project will be implemented immediately upon CON approval.

II. TYPE OF REVIEW REQUESTED

The State Health Officer reviews all projects for cost overrun and amendments in accordance with 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 December 6, 2005.

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

A. State Health Plan (SHP)

As required, the original project was in substantial compliance with the *FY 2003 State Health Plan* in effect at the time the original application was submitted. This project continues to be in substantial compliance with the *Plan*.

B. General Review (GR) Criteria

The original project was in substantial compliance with Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*. This application continues to be in substantial compliance with general review criteria contained in the Manual.

IV. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

The original CON required no capital expenditure nor does the proposed amendment project.

B. Method of Financing

Since the original CON did not have a capital expenditure, no method of financing was required. In regard to the amendment application, the applicant states there will be no additional costs associated with this project and no additional debt will be required for the project.

C. Effect on Operating Costs

With regards to the amendment project, the applicant projects gross revenues of \$1,682,093, expenses of \$1,321,339, and net income of \$360,754 for the first year of operation.

	Initial First Year 2003		Proj. Operating Costs 2006
Projected Gross Revenues	\$1,400,000.00	Projected Gross Revenues	\$1,682,093.89
Expenses		Expenses	
Salaries and Benefits (3 FTEs and 1 Part Time)	\$236,197.00	Salaries and Benefits (3 FTEs and 1 Part Time)	\$276,341.69
Other Direct Expenses	169,103.00	Other Direct Expenses	269,459.87
Administrative/General (3 FTEs)	\$128,000.00	Administrative/General (3 FTEs)	128,000.00
Equipment Lease	624,110.00	Equipment Lease Including Trucks	466,315.00
Truck Lease	44,460.00	Philips Service Agreement	181,222.44
Total Operating Expenses	\$1,201,870.00	Total Operating Expenses	\$1,321,339.00
Net Income/Loss (-)	\$198,130.00	Net Income/Loss (-)	\$360,754.89

The applicant projects to perform seven to ten MRI procedures per visit which will equal 30 to 40 exams per month or 350 to 400 procedures per year at LMH. The cost and charge per scan will be \$333 and \$388, respectively.

D. Cost to Medicaid/Medicare

Based on the projected operating expenses for this project, the impact of the amendment project on various payers for the first year is as follows: 60% to Medicare, 12.50% to Medicaid, and 27.50% to third party payers. Even though SMI projects a cost to Medicaid, the cost to the Medicaid program will be negligible. The applicant projects that approximately three (3) percent of its patients will be medically indigent.

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 *Plan*. The Division does not oppose the application.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2003 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health in effect at the time of the approval. The project continues to be in substantial compliance with applicable criteria and standards and adopted rules, procedures and plans of the Department.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Scott Medical Imaging.