

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
August 2006**

**CON REVIEW HG-NIS-0406-011
CALHOUN HEALTH SERVICES
OFFERING OF MOBILE MRI SERVICES
CAPITAL EXPENDITURE: \$20,000
LOCATION: CALHOUN CITY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Calhoun Health Services is a tax-exempt, city/county owned facility located in Calhoun City, Calhoun County, Mississippi. Calhoun Health Services is governed by a seven-member Board of Trustees and managed by North Mississippi Management Services, Inc., effective October 1, 2005, for a five-year term. The hospital is a short term acute care hospital licensed to operate 30 acute care beds, which includes nine geriatric psychiatric beds. The facility is licensed by the Mississippi Department of Health.

Calhoun Health Services' occupancy rates, average length of stay (ALOS) and Medicaid utilization rates for the three most recent fiscal years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2004	26.54	N/A	N/A
2005	33.25	5.03	47.65
2006	31.62	5.18	32.92

Source: Division of Health Facilities Licensure and Certification, Mississippi Department of Health

B. Project Description

Calhoun Health Services requests Certificate of Need (CON) authority to offer mobile magnetic resonance imaging (MRI) services one day per week. The applicant proposes to provide mobile MRI services through a contractual agreement with Alliance Imaging, Inc., a Delaware Corporation of Anaheim, California, utilizing a 1.0 Tesla Signa mobile MRI system. A copy of the service agreement between Calhoun Health Services and Alliance Imaging, Inc. accompanies the application for this proposed project.

The total capital expenditure of \$20,000 is for the following improvements to house the mobile MRI unit at Calhoun Health Services:

- Handicap accessible ramp.
- Concrete to level the existing pad.
- Power connection to provide electrical service.

The proposed capital expenditure of \$20,000 will be funded by the accumulated cash reserves fund.

The proposed site was approved by the Division of Health Facilities Licensure and Certification on May 19, 2006.

The applicant states that Alliance Imaging, Inc., will supply all necessary staff for the new service.

The new service is expected to begin upon approval of CON.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the establishment of MRI services in accordance with Section 41-7-191, subparagraph 1(d)(xii) Mississippi Code 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 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 September 5, 2006.

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

A. State Health Plan (SHP)

The *FY 2006 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 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 1,700 procedures per year using the procedures estimation methodology presented in the Plan. The 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 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 1,700 procedures annually.

Calhoun Health Services proposes to enter an existing route serviced by Alliance Imaging, utilizing a 1.0 Tesla Signa magnetic resonance system. Alliance indicates that the route currently serves North Mississippi Medical Center-Iuka. According to Alliance, the route previously served Bolivar Medical Center, Cleveland; Trace Regional Hospital, Houston; and The King's Daughters Hospital-Greenville. According to the *FY 2006 State Health Plan*, an excess of 2,000 MRI procedures were performed at Bolivar Medical Center alone during FY 2004. However, on October 27, 2005, the Department issued a declaratory ruling authorizing Bolivar Medical Center to acquire a fixed unit at the facility. In addition, The King's Daughters Hospital-Greenville was acquired by Delta Regional Medical Center, Greenville, in 2005, and is no longer a part of the Alliance Imaging route. Due to ongoing changes in the route structure, Alliance Imaging submits the following projections for the route that will serve Calhoun Health Services:

Facility/Location	2005 Procedures*	2006 Procedures Jan 1 – Apr 30	Projected Procedures Year 1
Natchez Community Hospital, Natchez	316	107	-
North MS Medical Center, Iuka	946	N/A	950
Trace Regional Hospital, Houston	234	112	336
Webster Health Services, Eupora	CON	NA	420
Calhoun Health Services, Calhoun City	Applicant	NA	384
Total			2,090

*State Health Plan survey of MRI providers, 2006.

**Applicant's 2006 proposed numbers in original application.

Note: Per Alliance Imaging, Natchez Community Hospital will be replaced by North MS Medical Center-Iuka at the end of this month. Webster's CON application projected they will perform approximately 432 procedures the first year of operation.

Calhoun Health Services states that the closest MRI services to Calhoun County are 45 miles away in Oxford. The applicant believes that accessible MRI services are important and allow them the opportunity to respond to daily physician referrals. Calhoun Health Services states that a high percentage of elderly patients in and around Calhoun County are inconvenienced by the absence of local MRI services. According to the applicant, offering mobile MRI services one day per week will offset that inconvenience and provide a 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
384	400*	430*

*According to the applicant, increased utilization and expansion of the medical staff will result in an increase of MRI referrals in the second and third years.

According to the FY 2006 *State Health Plan*, there were 17 providers of MRI services operating at 18 locations in GHSA 1 in FY 2004. These 17 providers performed a total of 46,382 procedures utilizing 20.4 FTE MRI units. This equates to approximately 2,273 procedures per FTE unit. Updated information indicates that these same units performed 48,370 procedures in FY 2005 for an average of 2,371 procedures per FTE MRI unit.

Updated information also indicates that four additional providers received CON approval in FY 2004 and FY 2005 to provide MRI services. Assuming that these additional providers operate for the number of days proposed and that the total procedures performed remain the same, staff estimates that GHSA1 could perform 2,147 procedures per unit, utilizing 22.53 FTE units. The following table shows the number and locations of both fixed and mobile MRI units for FY 2003, FY 2004, and FY 2005.

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

Facility	Location	Type/No. of Equip.	Number of Procedures FY 2003	Number of Procedures FY 2004	*Number of Procedures 2005	Days Operated	FTE Unit
Baptist Memorial Hospital – Booneville	Boonville	F	566	756	838	M-F	1
Baptist Memorial Hospital – Golden Triangle	Columbus	F(2)	4,804	4,507	4,025	M-F	2
Baptist Memorial Hospital – North Miss	Oxford	F(2)	4,400	3,676	4,025	M-F	2
Baptist Memorial Hospital - Union County	New Albany	F	2,069	2,251	1,972	M-F	1
Gilmore Memorial Hospital, Inc.	Amory	M	1,295	1,461	1,461	M-F	1
Grenada Lake Medical Center	Grenada	F	1,828	2,502	3,023	M-F	1
Imaging Center of Columbus	Columbus	F(2)	1,135	1,928	4,243	M-F	2
Imaging Center for Excellence/ Inst - MSU	Starkville	F	-	-	CON	-	-
Imaging Center of Gloster Creek Village – f.k.a Medical. Imaging & Diagnostics, LLC	Tupelo	F	2,633	3,751	3,908	M-F	1
Magnolia Regional Health Center	Corinth	F(2)	4,238	4,216	4,616	M-F	2
North MS Medical Center, luka	Tishomingo	M	653	820	946	M,W,F	.6
North MS Medical Center- West Point f.k.a. Clay County Medical Center	West Point	M	666	678	778	Tu,Th	.4
North MS Sports Medicine & Orthopedic Clinic, PLLC	Tupelo	M	-	-	181	M-F	1
North Miss Medical Center	Tupelo	F(4)	16,622	16,136	16,009	M-F	4
Oktibbeha County Hospital	Starkville	F/M	1,368	1,525	654	M-F	1
Pioneer Community Hospital	Aberdeen	M	0	0	CON	-	-
Preferred Imaging	Batesville	M	680	723	1,023	M,Tu,Th	.6
SMI – North Oak Regional Hospital	Senatobia	M	0	72	72	M (AM)	.2
SMI – Yalobusha General Hospital	Water Valley	M	276	463	370	W (PM)	.2
SMI – Winston Medical Center	Louisville	M	0	CON	-	-	-
Trace Regional Hospital	Houston	M	136	243	226	F	.2
Tri-Lakes Medical Center	Batesville	M	0	650	583	F	.2
Webster Health Services, d/b/a Webster Hospital	Eupora	M	0	0	CON	-	-
Total			43,369	46,382	48,370		
Full Time Equivalent Units			20.0	20.4	21.4	-	
Average Number of Procedures/per FTE Unit			2,168	2,274	2,260		

Source: FY 2006 State Health Plan, Applications for Renewal of Hospital License for Calendar Years 2004 and 2005, and Fiscal Years 2003 and 2004 Annual Hospital Reports.

*Updated Procedures from MRI survey conducted for calendar year 2005.

N/A – Not Available

F/M – Fixed/Mobile MRI unit

FTE – Full Time Equivalent Units

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Calhoun Health Services certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including, but not limited to, computed tomography (CT), ultrasound, and conventional radiology.

SHP Criterion 3 - Accessibility

Calhoun Health Services confirms that the facility will comply with the conditions as stated by this criterion.

SHP Criterion 4 - Staffing

Calhoun Health Services affirms that a board-certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. Also, a trained MRI technologist will be available during the hours of operation to compute MRI imaging methods.

SHP Criterion 5 - Research Staffing

Calhoun Health Services affirms that the facility will not use MRI equipment for experimental procedures.

SHP Criterion 6- Data Requirement

Calhoun Health Services affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health regarding the operation of the MRI equipment. Also, the applicant states they will record source of payment for procedures and the total amounts charged during the fiscal year.

SHP Criterion-7- CON Approval

Alliance Imaging, Inc. is an approved mobile MRI equipment vendor in Mississippi. The equipment was approved by a declaratory ruling dated September 12, 2000, which allowed the applicant to replace an existing 1992 G.E. .5 Tesla Signa MRI system with the 1999 G.E. 1.0 Tesla Signa MRI system.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 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

According to the applicant, 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 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, Calhoun Health Services seeks to provide affordable, state-of-the-art treatment for all patients. This project is consistent with this plan.

GR Criterion 3- Availability of Alternatives

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

1. Continue to not provide MRI services. This option was discarded because of patient inconvenience and delayed diagnosis.
2. Purchase a fixed MRI. This option was discarded because it would have high cost and low volume results.

The applicant states that no less costly MRI option is available. The continued use of full strength MRI's elsewhere was determined to be a hindrance to convenience and accessibility.

GR Criterion 4 - Economic Viability

Based on the applicant's three year projected operating statement, this project will be economically viable. The applicant projected an increase in net revenue from \$529,655 the first year to \$605,440 the third year. The statement also shows that the net income for the first three years will be \$248,938, \$264,704 and \$284,557, respectively.

Calhoun Health Services states that the cost to the hospital for a mobile MRI scan will be \$1,341 per scan to the patients for the first year and \$1,408 for the second and third years. The applicant's proposed costs and charges are reasonable, compared to similar providers.

The applicant's projected level of utilization is in line with similar facilities in the service area. The applicant's projected volume of utilization for the mobile MRI for the first year is 384 procedures. Calhoun Health Services expects an increase in utilization and an expansion of the medical staff to increase the second and third years' volume of MRI procedures.

GR Criterion 5 - Need for the Project

According to the applicant, the need for the proposed project is based on historical and projected MRI referrals of the Calhoun Health Services medical staff.

Calhoun Health Services submits that the high percentage of elderly patients in and around Calhoun County are inconvenienced by the absence of local MRI service. According to the applicant, offering mobile MRI services one day per week will offset the inconvenience and provide quicker diagnosis to the community.

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. Calhoun Health Services stated that offering this service would greatly enhance the ability of local physicians to effectively and efficiently care for their patients.

The applicant states that the closest MRI service is 45 miles away in Oxford, Lafayette County, Mississippi. Calhoun Health Services would like to offer this service in order to continue growth and development of Calhoun County by providing available medical services, tests, and procedures to the local community.

Calhoun Health Services is the only hospital in Calhoun County and is not in conflict with any other existing health care facilities. Also, the applicant cited that providing MRI services one day per week will not effect or overlap with existing providers.

The application contains several endorsement letters from physicians and a list of projected procedures by specific physicians from the manager of the radiology department supporting the need for mobile MRI service at the facility.

GR Criterion 6- Access to the Facility

The applicant affirms that as a county-owned hospital and a member of the community, it is committed to providing services to the entire service area population, including the medically underserved.

The table listed below shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to charity and medically indigent patients for the past three fiscal years at Calhoun Health Services:

Fiscal Year	Gross Patient Revenue	Amount of Charity Cases*	% of Revenue
2003	\$11,017,037	\$520,081	4.7%
2004	\$13,229,009	\$721,447	5.4%
2005	\$14,029,062	\$893,290	6.4%

*Note: Charity includes medically indigent patients. Calhoun Health Services states they are unable to distinguish medically indigent patients from other charity.

GR Criterion 7- Information Requirement

Calhoun Health Services states that they will record and maintain the information stated in this criterion regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Mississippi Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

Calhoun Health Services is located in General Hospital Service Area 1 (GHSA 1). According to the *Plan*, GHSA 1 had a total of 17 MRI providers (mobile and fixed) serving 19 facilities, in FY 2004.

GR Criterion 9 - Availability of Resources

The applicant affirms that Calhoun Health Services has available or, in the case of health personnel, will obtain adequate resources for MRI services.

GR Criterion 11- Health Professional Training Programs

Calhoun Health Services states that they expect a minimal effect on area health professional training programs.

GR Criterion 16 - Quality of Care

The applicant will be a new provider of MRI service. Calhoun Health Services states that it will continue to provide the highest level of medical service.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

New Construction	-
Renovation Construction	-
Capital Improvements	-
Fixed Equipment	-
Non-Fixed Equipment	-
Land Cost	-
Site Preparation	-
Fees (Architectural, Consultant, etc)	-
Contingency Reserve	-
Capitalized Interest	-
Other (ramp, concrete and power connection)	\$20,000
Total Proposed Capital Expenditure	\$20,000

The total capital expenditure of \$20,000 is for minor improvements to house the mobile MRI unit at Calhoun Health Services.

The improvements are as follows:

- Establishment of a handicap accessible ramp to bring the mobile unit in and out of the facility.
- Concrete to level the existing pad where the mobile unit will be stationed.
- Establishment of power connection to provide electrical service post docking of the mobile unit.

B. Method of Financing

Calhoun Health Services proposes to finance the proposed project from accumulated cash reserves.

C. Effect on Operating Costs

Calhoun Health Services three-year projected operating statement is provided in Attachment 1. The applicant's projections include: expenses, utilization, and results from operation for the first three years following completion of the project.

D. Cost to Medicaid/Medicare

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

Patient Mix by Payor	Utilization Percentage	First Year Expense
Medicaid	11.2%	\$ 15,941
Medicare	63.5%	92,751
Other	25.3%	36,231
Total	100%	\$144,923

Calhoun Health Services projects 6% of gross patient revenues, is provided and/or is projected to be provided to bad debt/charity care patients.

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 in substantial compliance with the criteria and standards for the establishment of mobile MRI services as contained in the FY 2006 *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.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Calhoun Health Services.

ATTACHMENT 1			
Calhoun Health Services			
Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Gross Patient Care Revenue	\$529,655	\$563,200	\$605,440
Deduction From Revenue			
Charity/Bad Debts	\$ 31,779	\$33,790	\$36,326
Contractual Adjustments	<u>248,938</u>	<u>264,704</u>	<u>284,557</u>
Net Patient Care Revenue	\$248,938	264,706	284,557
Total Operating Revenue	\$248,938	\$264,706	\$284,557
Operating Expenses			
General & Admin Services	1,906	2,316	3,984
Lease Expense	115,200	120,000	129,000
Depreciation	1,334	1,334	1,334
Bad Debt	26,483	28,160	30,272
Total Operating Expense	<u>\$144,923</u>	<u>\$151,810</u>	<u>\$164,590</u>
Net Operating Income	\$104,015	\$112,896	\$119,967
Assumptions			
Charge per Scan	\$ 1,379	\$ 1,408	\$ 1,408
Cost per Scan	\$ 377	\$ 379	\$ 382
Number of Scans	384	400	430