

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

**CON REVIEW: MU-NIS-0906-028
MEDICAL IMAGING, LLC D/B/A MEDICAL IMAGING AT BARNES CROSSING
OFFERING OF MOBILE MAGNETIC RESONANCE IMAGING (MRI)
SERVICES
CAPITAL EXPENDITURE: \$2,500
LOCATION: TUPELO, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing (formerly Barnes Crossing Imaging, Inc.) is a Mississippi for-profit, limited liability company authorized to do business in the state of Mississippi. The limited liability company was formed September 16, 2004. Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing is located at 891 Mississippi Drive, Tupelo, Mississippi. The facility offers a broad scope of imaging services as an outpatient imaging center.

Medical Imaging, LLC recently opened two imaging centers in Tupelo, Mississippi. The first center, Medical Imaging on Crossover Road, currently offers MRI services. The second imaging center, Medical Imaging at Barnes Crossing, was constructed and owned by Medical Imaging, LLC.

The applicant indicates that Barnes Crossing Imaging, Inc. and Barnes Crossing, LLC are now known as Medical Imaging, LLC. The ownership has not changed, just the name.

The following are members of Medical Imaging's governing board:

Laura Elliott Brower
Bruce Toppin
Marshall Edmondson, M.D., Treasurer
Jim Boyd, M.D.
Mark Johnson, M.D.
Chuck Stokes

The registered office of Medical Imaging, LLC is located at:

201 South Spring Street, Seventh Floor
P.O. Box 1220
Tupelo, Mississippi 38804

B. Project Description

Medical Imaging, LLC 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 GE 1.5T High-Speed mobile MRI unit. The application contains a copy of the service agreement between Medical Imaging, LLC and Alliance Imaging, Inc. concerning the proposed project.

The total capital expenditure of \$2,500 is for the minimal electrical work, which will be needed to establish and provide the mobile MRI services. The proposed capital expenditure will be funded by cash reserves.

According to the Mississippi Department of Health's Division of Health Facilities Licensure and Certification, site approval is granted to Medical Imaging, LLC located in Tupelo for mobile MRI unit.

According to Medical Imaging, LLC, the proposed capital expenditure will be obligated, and the offering of mobile MRI services will be completed on December 31, 2006.

II. TYPE OF REVIEW REQUIRED

Projects which propose the offering of magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraph (1) (d)(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 December 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* (in effect at the time of submission of this application) addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to offer MRI services. This application is in substantial compliance with applicable criteria and standards.

Criteria and Standards for the Offering of MRI 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 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.

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.

It is recognized that a particular MRI unit may be utilized by more than one provider of MRI services; some of which may be located outside of Mississippi. In such cases all existing or proposed providers of MRI services must jointly meet the required service volume of 1,700 procedures annually. If the MRI unit in question is presently utilized by other providers 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.

Medical Imaging, LLC proposes to enter an existing route serviced by Alliance Imaging, Inc. utilizing a GE 1.5 Tesla High-Speed mobile MRI unit. Alliance Imaging, Inc. asserts that the route currently serves Medical Center Blount, Oneonta, Alabama; Community Hospital, Tallassee, Alabama; and Woodland Medical Center, Cullman, Alabama. The applicant states that Alliance Imaging, Inc. performed 816 procedures at Medical Center Blount, Alabama, 792 procedures at Community Hospital, Tallassee, Alabama; and 336 procedures at Woodland Medical Center, Cullman, Alabama in the last 12 month period, totaling 1,944 MRI procedures. Medical Imaging anticipates adding an additional 500 procedures per year to Alliance Imaging, Inc.'s route, which will bring the total procedures to be performed on the route to 2,444. The application contains affidavits of commitment from seventeen (17) referring physicians. According to the affidavits, these physicians project performing 648 MRI procedures annually at Medical Imaging, LLC.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Medical Imaging, LLC asserts that it currently provides CT, ultrasound and conventional radiology. The applicant asserts that angiography, mammography, and nuclear medicine services are available at North Mississippi Medical Center.

The applicant provided a copy of a letter from North Mississippi Medical Center advising that it will provide radiology services as necessary to supplement the imaging services of Medical Imaging at Barnes Crossing. North Mississippi Medical Center asserts that these services will include and are not limited to angiography, mammography, and nuclear medicine services.

SHP Criterion 3 - Accessibility

Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing certifies that neither it nor its medical personnel will have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 4 – Staffing

According to the applicant, Dr. Robert Becker will serve as medical director of MRI services at Medical Imaging at Barnes Crossing. The applicant asserts that Dr. Becker is a full-time board certified radiologist whose primary responsibility during the past three years has been the acquisition and interpretation of clinical images. He has had a minimum of one week of full time training with a functional MRI facility. The application contains a copy of Dr. Becker's resume documenting his training, experience, and post-graduate education. The applicant asserts that it will have a full-time MRI technologist-radiographer who will be provided by Alliance Imaging, Inc. The technologist shall be on-site at all times during hours of MRI operation. The technologist supplied by Alliance will have experience in computed tomography as well as training in MRI imaging.

SHP Criterion 5 – Research Staffing

According to the applicant, the mobile MRI unit will not be used for experimental procedures.

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 an approved mobile MRI equipment vendor in Mississippi. The acquisition of the equipment (2001 GE Signa 1.5 Tesla High Speed MRI unit) was approved by a declaratory ruling dated September 12, 2006, which allowed the applicant to serve CON approved MRI providers in Mississippi.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, effective August 12, 2006, (as amended) 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 applicant asserts that the proposed project will provide accessible, high quality and affordable mobile MRI services to its patients. The applicant believes that the proposal meets the four stated goals of the *Plan*. The proposed project is in compliance with the criteria and standards for the offering of MRI services as contained in the *Plan*.

GR Criterion 2 - Long Range Plan

According to the applicant, Medical Imaging, LLC currently offers a wide range of imaging modalities. The addition of mobile MRI services will better serve the needs of Medical Imaging's patients and referring physicians, because patients and their doctors will be able to have most or all of their imaging needs met in one location. The applicant asserts that the proposal seeks to promote Medical Imaging's long range plan to provide affordable, quality treatment and imaging services for its patients.

GR Criterion 3 - Availability of Alternatives

Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing considered not offering MRI services at this location; however, without MRI services it would not be able to offer a full range of diagnostic imaging services and patients would experience inconveniences in receiving MRI services. Medical Imaging states that it also considered purchasing a fixed MRI unit; however, after consideration Medical Imaging determined it would be less costly and more effective and efficient to provide mobile MRI services one day a week at its facility.

GR Criterion 4 - Economic Viability

The applicant projects net incomes from operation to be \$68,185 the first three years after completion of this project.

- a. **Proposed Charges:** Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing projects a charge of \$1,758 per procedure the first, second, and third year of operation.
- b. **Projected Levels of Utilization:** The applicant projects that it will perform 500 procedures the first three years of operation. As previously mentioned, the application contains affidavits of commitment from seventeen (17) referring physicians. According to the affidavits, these physicians project performing 648 MRI procedures annually at Medical Imaging, LLC.
- c. **Financial Feasibility Study:** The capital expenditure for this project is \$2,500; therefore, a feasibility study is not required for this project since the capital expenditure does not exceed \$2,000,000.

GR Criterion 5 - Need for Services

- a. **Underserved Populations:** The applicant asserts that the proposed mobile MRI services will promote health care quality as patients are able to travel to one free-standing location for the majority of their imaging needs. This one location will ensure that the same group of radiologists will be reading, interpreting and communicating with the patient's physician concerning the outcome of any diagnostic test. The applicant believes that the addition of a mobile unit one day a week is a cost effective way for providing needed MRI services without the expense of purchasing a fixed unit.
- b. **Relocation of Services:** The proposed project does not involve relocation of a facility or services.
- c. **Current and Projected Utilization of Like Facilities in the Area:** According to the *FY 2006 State Health Plan*, in 2004 there were 17 providers providing MRI services at 18 locations utilizing 20.4 full time equivalent units in General Hospital Service Area 1. As reported in the *Plan*, the 18 locations produced a total of 46,382 procedures utilizing 20.4 FTE MRI units. This equates to approximately 2,274 procedures per FTE unit. Updated information indicates that these same providers 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 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 GHSA 1 could perform 2,147 procedures per FTE unit, utilizing 22.15 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.

The applicant estimates that it will perform 500 procedures for the first three years of operation.

Location and Number of MRI Procedures (GHS A 1)

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	Booneville	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 1/3 private	-	0.33
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	0.6
North MS Medical Center- West Point f.k.a. Clay County Medical Center	West Point	M	666	678	778	Tu,Th	0.4
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	-	-	CON-	1day/week -	0.2
Preferred Imaging	Batesville	M	680	723	1,023	M,Tu,Th	0.6
SMI – North Oak Regional Hospital	Senatobia	M	0	72	72	M (AM)	0.2
Yalobusha General Hospital	Water Valley	M	276	463	370	W (PM)	0.2
SMI – Winston Medical Center	Louisville	M	-	CON	-	-	-
Trace Regional Hospital	Houston	M	136	243	226	F	0.2
Tri-Lakes Medical Center	Batesville	M	0	650	583	F	0.2
Webster Health Services, d/b/a North Ms. Medical Center	Eupora	M	-	-	CON-	2 days/week-	0.4
Total			43,369	46,382	48,370		
Full Time Equivalent Units			20.0	20.4	22.15	-	
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.

F/M – Fixed/Mobile MRI unit

FTE – Full Time Equivalent Units

- d. **Probable Effect on Existing Facilities in the Area:** The applicant believes that the proposed project will address the needs of the residents of Lee County and the surrounding area by providing greater access to mobile MRI services, and that the proposal will not be an unnecessary duplication of MRI services.
- e. **Community Reaction:** The application contains affidavits of commitment from seventeen (17) referring physicians. According to the affidavits, these physicians project performing 648 MRI procedures annually at Medical Imaging, LLC.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved:** Medical Imaging, LLC states that it serves all of the residents of the health planning service area, hospital service area and patient service area including Medicaid recipients, charity/medically indigent patients, racial and ethnic minority, women, handicapped persons and the elderly.
- b. **Performance in Meeting Federal Obligation:** According to the applicant, the facility has no existing obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be served by Applicant:** The applicant believes that the proposal will provide patients and their physicians with another choice in free-standing imaging services.
- d. **Range of Access:** As mentioned above, the applicant asserts that all of the residents of the health planning service area, hospital service area and patient service area (including Medicaid recipients, charity/medically indigent patients, racial and ethnic minority, women, handicapped persons and the elderly) will have access to the services of the existing facility.

GR Criterion 7 - Information Requirement

Medical Imaging, LLC affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

As previously mentioned, there were 17 providers of MRI services operating at 18 locations in General Hospital Service Area 1. As reported in the *Plan*, the 17 providers performed a total of 46,382 procedures, utilizing 20.4 FTE MRI units, in FY 2004.

The applicant believes that the proposed project will provide continuity and quality health services to Medical Imaging's patients.

The Imaging Center at Gloster Creek Village, Tupelo, Mississippi, submitted a letter of opposition concerning the proposed project.

GR Criterion 9 - Availability of Resources

The applicant states that Medical Imaging LLC d/b/a Medical Imaging at Barnes Crossing is currently operating an imaging center, and there will be no new personnel required to provide the proposed mobile MRI services. Medical Imaging asserts that it will have a medical director as required by the *Plan*, and Alliance Imaging, Inc. will provide the MRI technologist and any other personnel it finds necessary to actually conduct the MRI scan.

GR Criterion 16 - Quality of Care

The applicant asserts that Medical Imaging, LLC currently offers quality imaging services at another location (Medical Imaging on Crossover Road, Tupelo, Mississippi) in GHSA 1. The proposed project is for the offering of mobile MRI services at Medical Imaging at Barnes Crossing.

The applicant submits that approval of this project will allow Medical Imaging to provide its patients and referring physicians a broad spectrum of imaging services in one location and provide consistency in image interpretation.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total capital expenditure of \$2,500 is for electrical connections to accommodate the mobile MRI unit at Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing.

B. Method of Financing

The applicant proposes to finance the proposed project from cash reserves.

C. Effect on Operating Cost

The applicant projects the following expenses, revenues, and utilization for the first three years of operation:

Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing
 Three-Year Projected Operating Statement

	Year 1	Year 2	Year 3
Revenues			
Gross Patient Rev.	\$ 879,000	\$ 879,000	\$879,000
Charity Care	\$ (26,370)	\$ (26,370)	\$ (26,370)
Deductions	<u>\$(537,017)</u>	<u>\$(537,017)</u>	<u>\$(537,017)</u>
Net Pt. Revenue	<u>\$ 315,613</u>	<u>\$ 315,613</u>	<u>\$ 315,613</u>
Expenses			
Supplies	\$ 5,700	\$ 5,700	\$ 5,700
Services	\$219,135	\$219,000	\$219,000
Depreciation	\$ 500	\$ 500	\$ 500
Other	<u>\$ 22,093</u>	<u>\$ 22,093</u>	<u>\$ 22,093</u>
Total Expenses	<u>\$247,428</u>	<u>\$ 247,428</u>	<u>\$247,428</u>
Net Income	<u>\$ 68,185</u>	<u>\$ 68,185</u>	<u>\$ 68,185</u>
Utilization			
Procedures (#)	500	500	500
Cost/Per Procedure	\$ 495	\$ 495	\$ 495
Charge/Per Procedure	\$ 1,758	\$ 1,758	\$ 1,758

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Expense
Medicaid	6	\$ 14,846
Medicare	39	\$ 96,497
Other	<u>55</u>	<u>\$136,085</u>
Total	<u>100%</u>	<u>\$247,428</u>

Applicant projects 7percent of gross revenue for bad debt patients and 3 percent for medically 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 *Medicaid 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 offering of MRI services, as contained in the *FY 2006 State Health Plan*; Chapter 8 of the *Certificate of Need Review Manual, August 12, 2006 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 Medical Imaging, LLC d/b/a Medical Imaging at Barnes Crossing for the offering of mobile MRI services.