

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2007**

**CON REVIEW: HG-NIS-1206-038
LAIRD HOSPITAL, INC.
OFFERING OF MRI SERVICES AT RUSH MEDICAL CLINIC
PHILADELPHIA (NESHOPA COUNTY), MISSISSIPPI
CAPITAL EXPENDITURE: \$14,500**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Laird Hospital, Inc., a Division of Rush Health Systems, Inc., is located in Union, Newton County, Mississippi. Laird Hospital is a short-term, 25-bed acute care, non-profit facility owned by Laird Hospital, Inc. On November 3, 2004, the State of Mississippi issued a non profit charter of incorporation/certificate of authority to Laird Hospital, Inc. from the Secretary of State's Office. The Secretary of State's Office also indicated that Laird Hospital, Inc. is in good standing with the State of Mississippi on November 17, 2006. The hospital is presently governed by a nine-member board.

The occupancy rates, average length of stay (ALOS) and the Medicaid utilization rates for the three most recent fiscal years are shown below (medical/surgical beds only);

**Laird Hospital, Inc.
Utilization Rates**

FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (Days)	MEDICAID UTILIZATION RATE (%)
2003	30.60	3.36	17
2004	27.94	3.45	19
2005	34.33	2.95	20

Source: Division of Health Facilities Licensure and Certification, MDH.

B. Project Description

Laird Hospital, Inc. requests Certificate of Need authority to offer mobile magnetic resonance imaging services (MRI) to the patients of Rush Medical Clinic located in Philadelphia, Neshoba County, Mississippi, by contractual agreement with a mobile MRI equipment vendor, Alliance Imaging, Inc. The vendor for the proposed MRI service currently provides mobile MRI service to Laird Hospital, Inc. three days per week. The applicant is proposing to have the equipment vendor provide one of its

three days of mobile service to Rush Medical Clinic. Laird Hospital of Union, Mississippi, and Orthopedic Imaging of Meridian, Mississippi, are the facilities currently on this existing route.

This application proposes that mobile MRI services will be provided by Alliance Imaging one day per week from the hours of 8:00 a.m. to 5:00 p.m. to the patients at Rush Medical Clinic in Philadelphia, Neshoba County, Mississippi. This proposed project will require construction of a concrete pad on which the mobile MRI equipment will be housed. No new personnel are anticipated for this project; however, the applicant 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 hours of operation to compute MRI imaging methods. Technicians will be provided by the equipment vendor, Alliance Imaging, and they will be responsible for maintaining the equipment. Rush Medical Clinic will use an existing physician and radiologist to interpret MRI's. The Mississippi Department of Health Division of Licensure and Certification has approved the site for MRI services. The expected completion date of this proposed project is immediately upon CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the offering 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 March 7, 2007.

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

A. State Health Plan (SHP)

The *FY 2007 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need (CON) authority for the offering of 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. The applicant shall use the procedures estimation methodology appearing in the *State Health Plan* to project the annual patient service volume for the applicant hospital. This criterion includes both fixed and mobile MRI equipment.

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. The application contained 3 affidavits from physicians indicating that they will refer a total of 178 procedures during the first year of operation, if this application is approved.

The *State Health Plan* also provides, however, that 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. The following table shows current providers on the applicant’s route and the number of procedures performed by each:

Facility	Location	Monthly Average MRI Procedures	Yearly MRI Procedures
*Laird Hospital	Union/Newton	64.2	770
**Orthopaedic Imaging	Meridian/Lauderdale	83.5	1,001
Total			1,771

* Time period of 1/06 – 10/06 (verified by vendor)

** Time period of 11/05 – 10/06 (verified by vendor)

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

PROJECTED MRI PROCEDURE		
Year 1	Year 2	Year 3
178	195	210

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 services begin. This includes, but is not limited to, computed tomography (full body), ultrasound, angiography, nuclear medicine, and conventional radiology.

SHP Criterion 3 – Accessibility

The applicant certifies that, within the scope of its available services, the facility will not 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 affirms that a board-certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. According to the applicant, Dr. James A. Kenney, a radiologist on the medical staff of Laird Hospital will be the director for the proposed project.

Laird Hospital states that no additional staff is needed for the proposed project. Alliance Imaging will provide a trained MRI technologist-radiographer with experience in computed tomography or other cross-sectional imaging methods during hours of operation.

SHP Criterion 5 – Research Staffing

The applicant certifies that a full-time medical physicist or MRI scientist with at least one year of experience in diagnostic imaging shall be available in the facility when an MRI unit is to be used for experimental procedures with formal approved protocols.

SHP Criterion 6 – Data Requirement

The applicant assures that: the data requirements listed for this criterion will be met; it will record and maintain, at a minimum, the information required in this criterion regarding charity care, care to the medically indigent, and Medicaid populations; and will make the required information available to the Mississippi Department of Health within 15 days of the request.

SHP Criterion 7 – CON Approval

Alliance Imaging, Inc. is an approved mobile MRI equipment vendor in Mississippi. The G.E 1.5T Horizon HS equipment was approved by a declaratory ruling dated October 11, 2005. The applicant is in compliance with this criterion.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised November 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 facility has responded to the specific criteria and standards in the *FY 2007 State Health Plan* applicable to “the offering of MRI services.” This project is in compliance with the criteria and standards for the offering of MRI services as contained in the *State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant states that this CON proposal is consistent with the hospital’s mission to provide quality patient care and access to needed medical and diagnostic services.

GR Criterion 3 - Availability of Alternatives

According to the applicant, the alternative to refer patients to an existing MRI facility would unnecessarily disrupt the continuity of patient care and would not be cost efficient. Therefore, the applicant is proposing to provide MRI services at Rush Medical Clinic in Philadelphia, Mississippi. This alternative was determined to be the most convenient and cost effective means to provide MRI service to the patients of the clinic. The applicant states that contracting for mobile MRI services is the most cost effective approach to avoid the capital outlay, yet provide the services to patients on site for enhanced continuity of care.

GR Criterion 4 - Economic Viability

Based on the applicant’s three year projected operating statement, this project will be economically viable. The applicant projected that net patient revenue for the first, second, and third year will be \$160,692, \$179,305, and \$198,847, respectively.

The proposed charges are comparable to those charges established by other facilities offering mobile MRI services.

GR Criterion 5 - Need for the Project

The need for this project is discussed under Section A (*State Health Plan*), of this Staff Analysis.

The projected levels of utilization are reasonably consistent with those experienced by similar facilities in the service area and the state. According to the FY 2007 *State Health Plan*, in 2004 there were 4 providers providing MRI services at 4 locations utilizing 5.8 full time equivalent (FTE) units in General Hospital Service Area 4 (GHS4). As reported in the *State Health Plan*, the 4 locations produced a total of 14,219 procedures utilizing 5.8 FTE MRI units, which averages 2,451 procedures per FTE unit. In 2005 there were 6 providers providing MRI services at 6 locations utilizing 6.4 FTE units. The 6 locations produced a total of 16,744 procedures per FTE unit, which averages 2,616 procedures per FTE unit. The number and locations of fixed and mobile MRI units for FY 2004 and FY 2005 in GHS4 are listed in Attachment 2.

The applicant believes that the proposed project will allow patients of the local community the option to seek MRI services in an ambulatory setting and the proposed will not be an unnecessary duplication of MRI service.

The application includes one endorsement letter from a physician at Rush Medical Clinic supporting the need for mobile MRI service at the facility and three affidavits from physicians that will be making referrals to the clinic.

GR Criterion 6 - Access to the Facility

The applicant affirms that services will be provided to the residents in the proposed service area without regard to race, ethnicity, sex, age, religion, or handicap. The applicant further affirms that MRI services will be made accessible to Medicare, Medicaid, and the medically underserved patients.

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.

The applicant believes that the project will provide the community with a choice of receiving imaging services at a free-standing facility.

The applicant states that the residents of the proposed service area will have access to the services described in this application.

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain, at a minimum, the following information regarding charity care, care to the medically indigent, and Medicaid populations and will make such information available to the Mississippi Department of Health within 15 days of a request from the Department as noted in this criterion.

GR Criterion 8 - Relationship to Existing Health Care System

Rush Medical Clinic is located in General Hospital Service Area 4 (GHSA 4). According to the 2007 *State Health Plan*, GHSA 4 has four locations providing mobile MRI services and two locations providing fixed MRI services, and one additional CON to provide mobile MRI services for fiscal year 2005 (See Attachment 2). The applicant contends that, the objective of this CON proposal is to provide mobile MRI services in a more accessible, convenient location to patients locally in an outpatient setting in lieu of a hospital setting. The applicant does not anticipate that this project will have an adverse impact on any of the current MRI providers in the service area. Given the number and average utilization of units present in the GHSA 4, staff agrees that the project can be viable without causing an adverse impact on existing providers in the area.

GR Criterion 9 - Availability of Resources

The applicant affirms that the clinic has access to the resources and personnel necessary to staff the proposed project.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant affirms that Rush Medical Clinic will contract with equipment vendor, Alliance Imaging, to provide mobile MRI services and continue to provide existing ancillary and support services.

GR Criterion 11 - Health Professional Training Programs

The applicant states that they will accommodate the clinical needs of health professional training programs in the area.

GR Criterion 12 - Access by Health Professional Schools

The applicant affirms that the proposed mobile MRI service delivery will be coordinated with health professional schools in the area with respect to access for training purposes.

GR Criterion 16 – Quality of Care

The applicant states that the offering of mobile MRI services at Rush Medical Clinic will provide a more efficient and cost effective option for patients seeking MRI services in GHSA 4. The applicant further states that the offering of the mobile MRI services in a clinical setting in the local community will allow for enhanced quality of care, convenient for the patients and their families.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure

New Construction	
Renovation Construction	
Capital Improvements	
Fixed Equipment	
Non-Fixed Equipment	
Land Cost	
Site Preparation	
Fees (Architectural, Consultant, etc)	
Contingency Reserve	
Capitalized Interest	
Other (concrete pad)	<u>\$14,500</u>
Total Proposed Capital Expenditure	<u>\$14,500</u>

B. Method of Financing

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

C. Effect on Operating Costs

The applicant’s 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; based on revenue:

Patient Mix by Payor	Utilization Percentage	First Year Cost
Medicare	40%	\$64,275
Medicaid	8%	\$12,855
Other Payor	52%	\$83,558
Total	100%	<u>\$160,692*</u>
Rush Medical Clinic projects 1% of gross patient revenues is provided and/or is projected to be provided to bad debt/charity care patients. * Figures are \$2 off due to rounding.		

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 offering of mobile MRI services as contained in the FY 2007 *Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised November 12, 2006; 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 Laird Hospital, Inc. for the offering of mobile MRI services at Rush Medical Clinic, Philadelphia, Neshoba County, Mississippi.

ATTACHMENT 1

**Laird Hospital
 Addition of MRI Services at Rush Medical Clinic, Philadelphia, MS
 Three-Year Operating Statement**

	Year 1	Year 2	Year 3
Revenue			
Gross Patient Care Revenue	\$278,100	\$310,313	\$344,133
Deduction From Revenue	(\$116,246)	(\$129,711)	(\$143,848)
Charity	(\$1,162)	(\$1,297)	(\$1,438)
Net Patient Care Revenue	\$160,692	\$179,305	\$198,847
Total Operating Revenue	\$160,692	\$179,305	\$198,847
Operating Expenses			
Salaries			
Benefits			
Supplies			
Services	\$67,500	\$76,781	\$84,755
Lease			
Depreciation			
Other			
Total Operating Expense	\$67,500	\$76,781	\$84,755
Net Operating Income	\$93,192	\$102,524	\$114,093
Assumptions			
Number of Scans	178	195	210
Charge per Scan *	\$ 1,545	\$ 1,591	\$ 1,639
Cost per Scan **	\$375	\$394	\$404

Staff Calculations: *Charge per Scan for Year 1 is \$1,562, respectively using the formula: (total patient revenue/projected number of procedures = charge per scan).

**Cost per Scan for Year 1 is \$379, respectively using the formula: (total operating expense/projected number of procedures = cost per scan).

ATTACHMENT 2
General Hospital Service Area 4
Location and Number of MRI Procedures

Facility	Location	Type/No. of Equip.	Number of Procedures FY 2004	Number of Procedures FY 2005	Days Operated	FTE Unit
H.C Watkins Memorial Hospital	Quitman/Clarke	M	CON	76	Th	0.2
Laird Hospital	Union/Newton	M	-	CON	N/A	0.2
Neshoba General Hospital	Philadelphia	M	1,598	1,698	Tu, Th, Sat	0.6
Newton Regional Hospital	Newton/Newton	M	357	382	M	0.2
Regional Medical Support Center, Inc. ²	Meridian/Lauderdale	F(3)	7,564	7,011	M-F	3.0
Rush Medical Group ³	Meridian/Lauderdale	F(2)	4,700	6,768	M-F	2.0
Rush Orthopedic & Sports Med Clinic	Meridian/Lauderdale	M	CON	809	Tu & Th	0.4
Total			14,219	16,744	-	-
Full Time Equivalent Units			5.8	6.4	-	-
Average Number of Procedures			2,451	2,616	-	-

Source: FY 2007 State Health Plan.

F/M – Fixed/Mobile MRI Unit

FTE – Full Time Equivalent Unit

² Regional Medical Support Center, Inc. performs MRI's for Jeff Anderson Regional Medical Center, Riley Memorial Hospital, & Rush Foundation Hospital.

³ Rush Medical Group performs MRI's for Rush Foundation Hospital.