

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
MAY 2011**

**CON REVIEW: FSF-MME-0211-001  
CEDAR LAKE OPEN MRI, LLC  
ACQUISITION OR OTHERWISE CONTROL OF MRI EQUIPMENT  
AND OFFERING OF MRI SERVICES  
LOCATION: BILOXI (HARRISON COUNTY) MISSISSIPPI  
CAPITAL EXPENDITURE: \$-0-**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Cedar Lake Open MRI, LLC (“Cedar Lake”) is a Limited Liability Company, located at 1720 – A Medical Park Drive, Biloxi, Harrison County, Mississippi. Cedar Lake operates as a freestanding MRI provider and has affiliations with Bienville Orthopaedic Specialists (“BOS”). Cedar Lake is governed by three directors and a six member board, and is listed in good standing with the Secretary of State’s Office.

**B. Project Description**

Cedar Lake Open MRI, LLC requests Certificate of Need (CON) authority to have a separate CON issued to its Cedar Lake facility.

Currently Cedar Lake shares a CON with Compass Imaging, LLC under the name Open MRI, LLC for MRI service and equipment.

The applicant asserts that the only purpose of this application is for the issuance of a separate CON for an already existing MRI provider, Cedar Lake Open MRI, LLC.

The *FY 2011 State Health Plan (“Plan”)* lists the two facilities as two different freestanding MRI providers. The Plan or the Certificate of Need Manual does not have any provision that allows the Department to issue a Certificate of Need (“CON”) to either party without application. As a result, the facilities decided that Cedar Lake would apply for a separate CON. A letter evidencing Compass’ support for the separation is provided with the application and no letters of oppositions were received in the department.

The applicant indicates that no capital expenditure, construction, or renovation will be required to implement the project nor will it require any additional personnel. The applicant included a projected operating

statement for the first, second, and third years of operation (See Attachment 1).

The applicant currently provides MRI services; therefore, no site approval is required. However, the applicant note that the facility is in compliance with applicable regulations for said services.

## **II. TYPE OF REVIEW REQUIRED**

Projects which propose the establishment of MRI services are reviewed in accordance with Section 41-7-191, subparagraphs (1)(d)(xii), (f) and (i) of the Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197 (2) of the Mississippi Code 1972 Annotated, as amended, any 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 June 6, 2011.

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

### **A. State Health Plan (SHP)**

The *FY 2011 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need authority for acquisition or otherwise control of MRI equipment and for offering of MRI services. This application is in substantial compliance with applicable criteria and standards.

The acquisition or otherwise control of MRI equipment is reviewable if the equipment cost is in excess of \$1,500,000; if the equipment and/or service is relocated; and if the proposed provider of MRI services has not provided such services on a regular basis within the period of 12 months prior to the time such services would be offered.

Currently, Cedar Lake Open MRI, LLC provides MRI equipment and services utilizing a CON issued to Open MRI, Inc. for the provision of mobile MRI services. Open MRI, Inc. acquired two 1.5 T Signa Infinity fixed based open MRI units in 2002 at an estimated cost of \$1,499,208 each and was authorized to convert the Cedar Lake and Compass Imaging sites to fixed sites. In 2003, Open MRI, Inc. requested to transfer the two units to the host facilities. By letter dated August 14, 2003, Open MRI, Inc. was notified that a CON was required by each site prior to transfer. However, no CON application was submitted. Therefore, the two sites continued to operate under Open MRI, Inc.

### **SHP Criterion 1 – Need**

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 2,700 procedures by the end of the second year of operation, according to the *FY 2010 State Health Plan*. The *State Health 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 *State Health 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 2,700 procedures annually by the end of the second year of operation.

The applicant indicates that the proposed project is to seek approval for a separate CON for an existing freestanding MRI provider which shares a CON with Compass under the name Open MRI, LLC.

According to the *Plan*, Open MRI-Cedar Lake performed a total of 3,936 procedures in 2008 and 2,980 in 2009, and Open MRI – Compass Site performed 4,681 in 2008 and 4,634 in 2009. Both facilities exceeded the required minimum 2,700 procedures that is required by this criterion.

The *State Health Plan* allows for applicants of non-hospital based facilities to submit affidavits from referring physicians. MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year. This application is for MRI services at an existing freestanding MRI facility and only seeks to have a separate CON issued to Cedar Lake.

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

Year 1	Year 2
2,788	2,872

In addition, the applicant must demonstrate that all existing units within its defined service area have performed an average of 1,700 procedures for the most recent 12-month period. According to the FY 2011 Sate Health Plan, there were 16 FTE units operating in General Hospital Service Area 9 during 2009, for an average of 2,319 procedures per unit (See the following table).

**General Hospital Service Area 9  
 Location and Number of MRI Procedures  
 FY 2011 State Health Plan**

<b>Facility Name</b>	<b>Location/Type of Equipment</b>	<b>Day(s)</b>	<b># of Hours</b>	<b>2008 No. of Procedures Performed</b>	<b>2009 No. of Procedures Performed</b>	<b>FTE Unit 2009</b>
Biloxi Regional Medical Center	Harrison/F	Sun-Sat	50+ hrs	5,301	4,951	1.00
Coastal County Imaging Services	Harrison/F	Mon & Fri	45 hrs	1,515	1,730	1.00
Garden Park Medical Center	Harrison/F	Mon – Fri	60 hrs	2,333	2,290	1.00
George County Hospital	George/F	Mon – Fri	40 hrs	807	747	1.00
Hancock Medical Center	Hancock/F	Mon – Fri	40 hrs	1,309	1,348	1.00
Highland Community Hospital	Pearl River/M	Mon & Fri	40 hrs	1,017	1,131	1.00
Memorial Hospital at Gulfport	Harrison/F(2)	Mon – Fri	150 hrs	5,424	6,024	2.00
Ocean Springs Hospital	Jackson/F(2)	Mon – Fri	130 hrs	4,112	3,860	2.00
Open MRI – Cedar Lake	Harrison/F	Mon – Fri	45 hrs	3,936	2,980	1.00
Open MRI – Compass Site	Harrison/F	Mon – Fri	70 hrs	4,681	4,634	1.00
OMRI, Inc. d/b/a Open MRI	Jackson/M(2)	Mon – Fri	80 hrs	1,992	2,610	2.00
Singing River Hospital	Jackson/F(1)/M(1)	Mon - Fri	98+ hrs	4,556	4,798	2.00
<b>Total</b>				<b>36,983</b>	<b>37,103</b>	<b>16.00</b>
<b>Average Procedures/ MRI FTE</b>				<b>2,311</b>	<b>2,319</b>	

~Source: 2010 State Health Plan  
 F – Fixed      M – Mobile  
 FTE – Full-time equivalent

**SHP Criterion 2 – Quality Assurances**

The applicant certifies that no new equipment will be acquired and that the existing equipment is FDA approved. The equipment will be operated by qualified personnel and that there are no fixed/minimum volume requirement for the equipment.

**SHP Criterion 3 – Information Recording/Maintenance**

The applicant confirms that data listed in this criterion will be kept and made available to the Mississippi Department of Health within 15 business days of request.

#### **SHP Criterion 4 – Registration**

Cedar Lake currently owns MRI equipment and was formed with the Secretary of State on March 28, 2001, as a limited liability company authorized to do business in Mississippi.

#### **SHP Criterion 5 – CON Approval**

The applicant currently shares a CON with Compass Imaging, LLC under the name Open MRI LLC. The applicant now requests CON approval by submission of this application for a CON to solely operate its MRI equipment and provide MRI services.

### **Criteria and Standards for the Offering of Fixed or Mobile MRI Services**

#### **SHP Criterion 1 – Need**

The applicant projects to perform 2,788, 2,872, and 2,950 procedures the first, second, and third year of operation, respectively. These projections meet and exceed the minimum requirement of 2,700 procedures required per year.

#### **SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities**

The applicant currently provides MRI services through Open MRI, LLC. Additionally, radiology services are available at Compass Imaging and several area hospitals where Cedar Lakes' members hold staff privileges, including Biloxi Regional Medical Center, Ocean Springs Hospital, Garden Park Medical Center, and Memorial Hospital.

#### **SHP Criterion 3 – Accessibility**

The applicant certifies that Cedar Lake Open MRI does not have policies or procedures that would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

#### **SHP Criterion 4 - Staffing**

According to the applicant, Dr. Shaun McKee serves as the medical director for Cedar Lake Open MRI and there are two full-time MRI technicians on staff that meet this criterion.

#### **SHP Criterion 5 – Research Staffing**

The applicant indicates that the MRI will not be used for experimental procedures; therefore, this criterion is not applicable.

### **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 State Department of Health within 15 days of the request.

### **SHP Criterion 7 – CON Approval**

As stated previously, the applicant currently shares a CON with Compass Imaging, LLC under the name Open MRI LLC. The applicant now requests CON approval by submission of this application for a CON to solely operate its MRI equipment and provide MRI services.

## **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, revised May 1, 2010*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the Manual.

### **GR Criterion 1 – State Health Plan**

The application was reviewed for compliance with the *FY 2011 State Health Plan* as previously discussed.

### **GR Criterion 2 – Long Range Plan**

The applicant states that its long term goal is to acquire a CON for the MRI equipment and services which will not result in the addition of a new MRI provider or equipment in the service area.

### **GR Criterion 3 – Availability of Alternatives**

The applicant contends that filing this application was the only option to separate the CON.

### **GR Criterion 4 – Economic Viability**

The applicant contends that there will be no changes to the charges as a result of this project and does not anticipate any impact on utilization nor cost of health care in the area as no new provider or equipment will result from this project. Also, the applicant does not expect any changes in revenues and expenses as a result of this project.

Staff concluded that the proposed project will be economically viable by the third year of operation.

**GR Criterion 5 – Need for Project**

The applicant submits that no changes will be made to the population served nor do they expect any changes in utilization at either its facility or other providers as a result of this project as they currently provide the service.

The application contains five letters of support for the proposed project with one being from its affiliate Compass Imaging.

The Department did not receive any letters of opposition concerning the proposed project.

**GR Criterion 6 – Access to the Facility or Service**

The applicant affirms that all residents of the health planning service area, hospital service area, and patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly currently has access to the services.

**GR Criterion 7 – Information Requirement**

The applicant affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of proper request.

**GR Criterion 8 – Relationship to Existing Health Care System**

The applicant submits that there are twelve (12) MRI providers in the service area with six (6) of them in Harrison County. However, the applicant believes this project will not have any impact on existing providers since Cedar Lake is currently providing MRI services.

The Department has not received any letters of opposition for the proposed project.

**GR Criterion 9 - Availability of Resources**

The applicant documents that this service is currently operating and no new personnel will be required, the facility is accurately staffed, and the applicant has experienced low turnover.

**GR Criterion 16– Quality of Care**

The applicant states that Cedar Lake Open MRI is currently in the process of completing the American College of Radiology MRI Accreditation Program and there will be no change in the quality of care as a result of this project.

**IV. FINANCIAL ANALYSIS**

**A. Capital Expenditure Summary**

The applicant indicates that no capital expenditure is associated with this project.

**B. Method of Financing**

This project requires no financing.

**C. Effect on Operating Costs**

With regard to this project, the applicant’s projected Operating Statement for Cedar Lake for the first three years of operation is listed as Attachment 1.

The applicant projects 2,788 MRI procedures will be performed the first year, 2,872 the second year, and 2,950 MRI procedures the third year of operation. The cost for the first year is \$481, the second year \$471, and \$463 the third year, and the charge per scan will be \$1,577 for the first and second year and \$1,582 the third year.

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows (based on gross patient revenue):

<b>Patient Mix by Payor</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
<b>Medicare</b>	16%	\$698,958
<b>Other</b>	14%	\$612,143
<b>Commercial</b>	68%	\$3,000,854
<b>Self Pay</b>	<u>2%</u>	<u>\$85,696</u>
<b>Total</b>	<b>100%</b>	<b>\$4,397,651</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment; however, no comments were received prior to posting of the staff analysis.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in compliance with the criteria and standards for the offering of fixed or mobile MRI services as contained in the *FY 2011 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2010 revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Cedar Lake Open MRI, LLC for the acquisition or otherwise control of MRI equipment and offering of MRI services.

**ATTACHMENT 1  
 CEDAR LAKE OPEN MRI, LLC  
 PROJECTED OPERATING STATEMENT (Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Gross Patient Care Revenue	\$4,397,651	\$4,529,580	\$4,665,468
Deduction From Revenue	(\$2,651,080)	(\$2,730,613)	(\$2,812,531)
Charity/Indigent Care	-	-	-
<b>Total Deductions</b>	<b><u>(\$2,651,080)</u></b>	<b><u>(\$2,730,613)</u></b>	<b><u>(\$2,812,531)</u></b>
Net Patient Care Revenue	\$1,746,571	\$1,798,968	\$1,852,937
<b>Total Operating Revenue</b>	<b><u>\$1,746,571</u></b>	<b><u>\$1,798,968</u></b>	<b><u>\$1,852,937</u></b>
<b>Operating Expenses</b>			
Salaries	\$193,643	\$195,580	\$197,535
Benefits	50,312	50,815	51,323
Supplies	14,704	14,851	14,999
Services	147,532	149,008	150,498
Lease	177,696	179,473	181,267
Depreciation	5,529	5,584	5,640
Interest	66	66	67
Other	750,465	757,970	765,549
<b>Total Operating Expense</b>	<b><u>\$1,339,947</u></b>	<b><u>\$1,353,346</u></b>	<b><u>\$1,366,880</u></b>
<b>Net Operating Income</b>	<b>\$406,624</b>	<b>\$445,622</b>	<b>\$486,057</b>
<b>Assumptions</b>			
Number of Scans	2,788	2,872	2,950
Charge per Scan	\$1,577	\$1,577	\$1,582
Cost per Scan	\$481	\$471	\$463