

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
FEBRUARY 2016  
REVISED**

**CON REVIEW: FSF-FE-1015-023  
CEDAR LAKE OPEN MRI, LLC  
OFFERING OF MAGNETIC RESONANCE IMAGING (MRI) SERVICES AND  
ACQUISITION OF MRI EQUIPMENT  
LOCATION: BILOXI, HARRISON COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$1,295,000.00**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Cedar Lake Open MRI, LLC, ("Cedar Lake") is a Mississippi limited liability company owned by Bienville Orthopaedic Specialties (Bienville OS or BOS) and it is a current provider of freestanding, fixed MRI services in Biloxi, Harrison County Mississippi (MS). The company was formed on March 28, 2001 and the limited liability company is listed in good standing with the Office of the Secretary of State dated July 24, 2015. Cedar Lake's facility is located at 1720-C Medical Park Drive, Biloxi, Harrison County, Mississippi. The imaging center is governed by a twelve-member board.

**B. Project Description**

Cedar Lake Open MRI, LLC requests Certificate of Need (CON) authority for the offering of fixed magnetic resonance imaging (MRI) services and the acquisition of MRI equipment for five (5) days per week from 8 am to 5 pm at a proposed freestanding, second location. The proposed location is 6300 Allen Road, Gautier, Jackson County, Mississippi 39564. The applicant asserts that the purpose of the proposed project is to increase access to patients in Gautier and improve outcomes. A Medical Office Building Lease contract is included in the application showing that MOB lease is between Bienville-Gautier Medical Office Building, LLC (landlord) and Cedar Lake MRI, LLC (tenant). The applicant states that the applicant will only lease 2,500 square feet of space at the address listed above and will purchase a fixed MRI unit. Upon CON approval, the applicant will enter into a contract with Siemens, Siemens Medical Solution USA, Inc. to purchase a fixed, 1.5 Telsa Magnetom Aera System.

The applicant asserts that the proposed \$1,295,000 capital expenditure is for the purchase of the fixed MRI equipment, non-fixed equipment, legal and accounting fees. No construction or renovation will be required to implement the project; however, the applicant asserts that it will build out area in the office space to accommodate the MRI unit and the service. Six (6) additional FTEs (full-time equivalents) personnel will be required at an estimated annual cost of \$195,955; however, the applicant asserts that the cost is included in the operating costs in

the three year operating statement. The applicant included a projected operating statement, which shows the first, second, and third years of operation (See Attachment 1). On August 3, 2015, the MSDH Division of Health Facilities Licensure and Certification approved the site for the proposed project at Cedar Lake Open MRI's second proposed location.

The applicant included a letter from a financial institution stating that Cedar Lake has preliminary loan approval for the purchase of the MRI equipment and build out costs associated with the MRI services. Thus, the proposed project will be funded by a loan. Cedar Lake will obligate the capital expenditure within six months of CON approval and the proposed project will be complete within twelve (12) months of final CON approval by the Department.

## II. TYPE OF REVIEW REQUIRED

Projects, which propose the establishment of MRI 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 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 March 14, 2016.

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

### A. Mississippi State Health Plan (MSHP)

The *FY 2015 Mississippi State Health Plan* contains policy statements, criteria and standards, which an applicant is required to meet before receiving Certificate of Need ("CON") authority for the acquisition or otherwise control of magnetic resonance imaging ("MRI") equipment and offering of MRI services. This application is in substantial compliance with applicable criteria and standards.

### *Criteria and Standards for the Acquisition or Otherwise Control of MRI Equipment*

#### **SHP Criterion 1- Need**

The *FY 2015 Mississippi State Health Plan* states that an entity desiring to acquire or otherwise control the MRI equipment shall demonstrate a minimum of 2,700 procedures per year by the end of the second year of operation; provided, however, that MRI equipment exclusively servicing rural hospitals (those located outside U.S. Census Bureau Metropolitan Statistical Areas with 75 or less beds)

shall be required to demonstrate a minimum of 1,700 procedures per year by the end of the second year of operation. This criterion includes both fixed and mobile MRI equipment. The applicant must show the methodology used for the projections.

The applicant proposes to acquire a second MRI unit and utilize it at the Gautier, MS location through a purchase agreement with Siemens, Siemens Medical Solution USA, Inc. As a note, staff determined that the cities of Biloxi and Gautier are within the Gulfport-Biloxi and Pascagoula Metropolitan Statistical Areas (MSA) and it appears that Cedar Lake's proposed fixed, MRI unit will not exclusively service rural hospitals (75 beds or less) located outside of the MSA. Based on the application, Cedar Lake proposes to provide fixed MRI services at the proposed location Monday through Friday, 8 am – 5 pm.

The *FY 2015 MSHP* indicates that the applicant performed 3,680 MRI procedures; however for FY 2014 the applicant asserts it performed 4,106 MRI procedures and for FY 2015, Cedar Lake asserts that 5,067 MRI procedures were performed in the most recent 12 months.

Since Cedar Lake (Biloxi, Harrison County) is an existing, non-hospital based MRI facility, the CON application included 13 affidavits signed by physicians attesting to a total of 3 to 39 MRI procedures per month stating that he or she will refer a number of patients to the proposed location, if the CON is granted. As a note, Exhibit A of the CON application shows that the physicians who signed the affidavits create the Limited Liability Company and they also own Cedar Lake Open MRI, LLC and Bienville Orthopaedic Specialties.

The total number of patients that the doctors will refer to the proposed freestanding facility is estimated to be a total of 2,820 procedures annually. However, the applicant states that due to the propose project being a new service at the Gautier location and accounting for start-up time, the applicant makes conservative projections for the first through the third years of operation.

Below are the applicant's first, second, and third years of operation projections of MRI procedures to be performed:

The applicant further indicates that the proposed fixed MRI unit at the proposed location is expected to perform the following MRI procedures for the first year through the third years of operation 2,268, 2,820 and 2,977, respectively.

**Projected MRI Procedures**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
2,268	2,820	2,977

Based on the *FY 2015 Mississippi State Health Plan*, Cedar Lake Open MRI, LLC's existing fixed MRI unit performed a total of 3,680 procedures in 2013. The applicant submitted details regarding the proposed addition of a fixed MRI unit in Gautier to demonstrate that Cedar Lake's proposed project is reasonable and could accommodate Cedar Lake's need, as well as exceed the number of procedures required by this criterion. The current and proposed fixed equipment and locations are listed in the table in Attachment 3 of this analysis.

The applicant asserts that the state's MRI use rate is .0818 a total of 81.8 scans per 1,000 in population. As reported in the *MSHP*, the rate is based on a total of 258,189 scans for FY 2013 compared to the State's population of 3,156,054. The applicant further asserts that GHSA IX has a population of 520,587, when compared to the use rate results in 42,584 scans. Thus, the number of scans is more than the 34,535 reported. The applicant states that the excess scans projected using the population use rate for GHSA IX is in line with the number of scans Cedar Lake projects to provide.

The proposed fixed, MRI unit Cedar Lake Open MRI, LLC is requesting approval for the location in Jackson County, which is in GHSA IX. The 2020 population projections for Jackson County and GHSA IX are 151,765 and 520,587. Also, based on the current *Mississippi State Health Plan*, the Mississippi MRI use rate is 82.12. This rate is determined by taking the total number of scans performed (258,189) for the state and dividing it by the state's projected population (3,156,054) multiplied by 1,000, which equates to 81.80754 or 82.

According to the MSDH's MRI use rate, staff determined that Jackson County would be expected to generate 12,444.73 MRI scans and the GHSA IX is expected to produce 42,688 procedures (see formula listed on the next page). The *FY 2015 Mississippi State Health Plan* reports that a total of 34,535 MRI procedures were performed in 2013 for GHSA IX. When comparing the number of procedures actually performed with the number expected, according the MS MRI use rate, the service area has the potential of producing an additional 8,153 MRI procedures (see formula listed below).

Based on updated data received for one of the MRI vendors for FY 2013, the total MRI procedures will be 38,285; producing an additional 4,403 MRI procedures. Therefore, the applicant is in compliance with the need criterion.

### **Population-Based Formula for Projection of MRI Service Volume**

$$X*Y \div 1,000=V$$

**Where, X = Applicant's Defined Service area population**

**Y = Mississippi MRI Use Rate**

**V = Expected Volume**

Projected MRI procedures for Jackson County, the location for the proposed fixed, MRI unit and GHSA 9 are shown below:

$$\frac{151,765 \text{ (Jackson County's population projections)}}{1,000} = 151.765$$

$$151.765 * 82 \text{ (MS MRI Use Rate)} = 12,444.73$$

$$\frac{520,587 \text{ (GHSA 9 population projections)}}{1,000} = 520.587$$

$$520.587 * 82 \text{ (MS MRI Use Rate)} = 42,688.134$$

The applicant shall 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.

The *FY 2015 MSHP* shows 34,535 MRI scans were performed in FY 2013. Based on that figure, the applicant believes that the number of full-time equivalent (FTE) units in GHSA IX performed an average of 2,093.03 scans per unit based on 16.5 FTEs in the service area, inclusive of Singing River Hospital's two fixed MRI units and one mobile unit. The applicant states that SRH's mobile unit hours are not shown for that unit; however, the total number of hours was reported for all of SRH's MRI units. In this case, Cedar Lake asserts that the average number of procedures performed by existing MRI units in GHSA IX will increase even if SRH's mobile unit is not utilized on a full time bases.

Based on the *FY 2015 Mississippi State Health Plan*, staff determined that there were 19.3 FTE units operating in General Hospital Service Area IX during FY 2013, for an average of 1,789.38 procedures per FTE unit (see Attachment 2). The updated average MRI procedures for FY 2013 are 1,983.69 per 19.3 FTE units (see Attachment 3). Thus, the average number of MRI procedures for FY 2013, the updated MRI scans performed for FY 2013 and the projected MRI MRI numbers in Attachment 3 exceed the requirement of 1,700 minimum procedures.

An applicant desiring to acquire or otherwise control an MRI unit may make or propose to make the MRI unit available to more than one provider of MRI services, some of which may be located outside of Mississippi. In such cases, all existing or proposed users of the MRI unit must jointly meet the required service volume of 2,700 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. The applicant submits that Cedar Lake is requesting approval for a fixed, MRI unit in Gautier, Jackson County MS and is not applying for a mobile MRI service or to acquire a mobile MRI unit to service several providers on a route(s).

Staff determined that there are currently three MRI providers in Jackson County. The *FY 2015 MSHP* shows that these providers performed a total of 14,512 MRI procedures in 2012 and 9,798 MRI procedures in 2013. However, updated MRI procedures were received for OMRI, Inc. and the MRI scans performed for FY 2013 were 13,548. The applicant states that there are no existing MRI services or providers in the city of Gautier, Jackson County, MS. Below are the total number of MRI procedures performed by the Jackson County facilities and the average number scans per FTE unit.

**Jackson County Service Area  
 FY 2012 and 2013 MRI Procedures**

Facility	Type/No. of Equipment	Number of MRI Procedures Performed 2012	Number of MRI Procedures Performed 2013	Days/Hours of Operation 2013	FTE/Unit
Ocean Springs Hospital	F (2)	4,652	4,291	M-F, 115+ Hrs.	2
OMRI, Inc. d/b/a Open MRI *	M(3)	4,228	3,750	M, Thr. 120 & F 160 Hrs.	3
Singing River Hospital	F(2) M	5,632	5,507	M-F, 155+ Hrs.	3
<b>Total MRI Procedures</b>		<b>14,512</b>	<b>13,548</b>		<b>8</b>
<b>Average Procedures/ FTE MRI</b>		1,814	1,693.50		

**Jackson County Service Area  
 FY 2013 and FY 2014 MRI Procedures**

Facility	Type/No. of Equipment	Number of MRI Procedures Performed 2013	Number of MRI Procedures Performed 2014 (Updated)	Days/Hours of Operation 2013 and 2014	FTE/Unit
Ocean Springs Hospital	F (2)	4,291	4,609	M-F, 115+ Hrs.	2
OMRI, Inc. d/b/a Open MRI *	M(3)	3,750	2,800	M, Thr. 120 & F 160 Hrs.	3
Singing River Hospital	F(2) M	5,507	5,218	M-F, 155+ Hrs.	3
<b>Total MRI Procedures</b>		<b>13,548</b>	<b>12,627</b>		<b>8</b>
<b>Average Procedures/ FTE MRI</b>		1,693.50	1,578.38		

\* Open MRI –Updated procedures received 02/2016 for FY 2013 and FY 2014.

For the actual and projected first year, the average number of procedures per FTE MRI unit will be projected as 1,403, below 1,700 MRI procedures for the existing MRI units in Jackson County’s service area (see table below).

Based on the projected first year and second year, the entire GHSA 9 would meet the required number of MRI scans per MRI unit; inclusive of the proposed MRI scans projected by Cedar Lake. The total number of projected MRI scans for two projected years; would be 38,774 and 39,326, respectively. Using 20.3 FTE per unit, the average number of MRI scans would be 1,910.05 and 1,937.24 (see Attachment 3).

**Jackson County Service Area  
 FY 2014 MRI Procedures and Projected First Year**

Facility	Type/No. of Equipment	Number of MRI Procedures Performed 2014 (Updated)	Number of MRI Procedures Performed (Projected 1 <sup>st</sup> Year)	Days/Hours of Operation 2013 and 2014	Proposed FTE Unit For Year 1 & Year 2
(Applicant, Gautier, MS) Cedar Lake Open MRI, LLC	F	NONE <sup>1</sup>	2,268	M-F, 40 Hrs.	1
Ocean Springs Hospital	F (2)	4,609	4,609	M-F, 115+ Hrs.	2
OMRI, Inc. d/b/a Open MRI *	M(3)	2,800	2,800	M, Thr. 120 & F 160 Hrs.	3
Singing River Hospital	F(2) M	5,218	5,218	M-F, 155+ Hrs.	3
<b>Total MRI Procedures</b>		<b>12,627</b>	<b>14,895</b>		<b>9</b>
<b>Average Procedures/ FTE MRI</b>		<b>1,403</b>	<b>1,655</b>		

<sup>1</sup> Applicant. -Proposed MRI services/equipment; Gautier, MS location is not operational.  
 \* Open MRI –Updated MRI procedures for FY 2014 was received by the Department in 02/2015.

Since the existing MRI facility, Cedar Lake Open MRI is located in Biloxi, Harrison County, MS the following calculation shows the projected number of scans that will be generated for Harrison County and GSHA 9:

**Population-Based Formula for Projection of MRI Service Volume**

**$X \cdot Y \div 1,000 = V$**

**Where, X = Applicant's Defined Service area population**

**Y = Mississippi MRI Use Rate**

**V = Expected Volume**

**$\frac{210,942 \text{ (Harrison County's population projections)}}{1,000} = 210.942$**

**$210.942 \cdot 82 \text{ (MS MRI Use Rate)} = 17,297.244$**

$$\frac{520,587 \text{ (GSHA 9 population projections)}}{1,000} = 520.587$$

$$520.587 * 82 \text{ (MS MRI Use Rate)} = 42,688.134$$

Based on the projected population and projected number of MRI scans for Jackson County, Harrison County and GSHA 9, the applicant believes the numbers supports the proposed fixed MRI unit/service in Gautier, Jackson County, MS.

### **SHP Criterion 2 – Quality Assurances**

The applicant acknowledges the requirements of this criterion and proposes to purchase a fixed, 1.5 Telsa Magnetom Aera System five days per week. The application contains a signed purchase agreement between Cedar Lake Open MRI, LLC and Siemens for the purchase of the proposed fixed MRI unit.

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

The applicant affirms that, at a minimum, it will record and maintain the requirements listed in this criterion and information will be kept and made available to the Mississippi State Department of Health within 15 business days of request.

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

The application contains Office of the Secretary of State documentation to support the formation of the limited liability company and Cedar Lake is listing in of good standing within the State of Mississippi.

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

The applicant recognizes this requirement and affirms that it will not provide MRI services until CON approval is obtained. As a note, the applicant submits that Cedar Lake's equipment is CON approved to provide MRI service at its current location (1720-C Medical Park Drive, Biloxi, Harrison County, MS); however, the current filing is requesting CON approval for the proposed second location (6300 Allen Road, Gautier, Jackson County, MS 39564).



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

**SHP Criterion 1 - Need**

The *FY 2015 MSHP* states that 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. However, the *FY 2015 MSHP* states: "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 *Mississippi 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. Furthermore the *MSHP* indicates that applicants for non-hospital based MRI facilities may submit affidavits from referring physicians; however, MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year.

The *FY 2015 MSHP* indicates that the applicant performed 3,680 MRI procedures; however for FY 2014 the applicant asserts it performed 4,106 and for FY 2015, Cedar Lake asserts that 5,067 MRI procedures were performed in the most recent 12 months. The applicant further indicates that the proposed fixed MRI unit at the proposed location is projected to perform the following MRI procedures at the proposed Gautier location:

Year 1	Year 2	Year 3
2,268	2,820	2,977

Harrison County's population projection is 210,942, which means that the county should generate 17,297 MRI procedures, according to *FY 2015 MSHP* MRI need projection methodology. However, applying the Mississippi MRI use rate to the population projection for GHSA IX indicates that the service area, as a whole, could perform approximately 42,688 procedures, which is more than the 34,535 procedures reported in the *FY 2012 MSHP*. Therefore, the applicant comments that that the excess scans projected using the population use rate for GHSA IX lines up with the number of scans Cedar Lake projects to provide (see formula above under *MSHP 1 Need Criterion* on page 2 of this document).

Staff contends that in conjunction with the actual number of procedures performed by the current fixed facility and the proposed fixed MRI facility appear to be a reasonable projection for the proposed facility that should perform over 2,700 MRI scans by the end of the second year of operation.

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

The applicant certifies that a full range of diagnostic imaging modalities for verification and complementary studies, including, but not limited to, computed tomography (full body), ultrasound, angiography, nuclear medicine services and conventional radiology are currently available on-site at Cedar Lake.

## **SHP Criterion 3 – Accessibility**

The applicant certifies that it does not have admission policies, which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay. The applicant contains a copy of Cedar Lake's, LLC admission policy.

## **SHP Criterion 4 – Staffing**

The applicant affirms that a full-time, board eligible radiologist will be available for the interpretation of all MRI images. The application contains a curriculum vita for James B. Crowder, M.D., who will serve as the medical director.

The applicant states that Cedar Lake will provide a MRI technician-radiographer (Judy L. Nguyen, (RT)(MR) to comply with the requirement under this criterion regarding the fixed unit. The applicant asserts that the technician will be on-site at all times and has experience in CT and other cross sectional imaging methods.

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

The applicant certifies that this unit will not be used for experimental procedures.

## **SHP Criterion 6 – Data Requirement**

The applicant affirms that the data requirements listed for this criterion shall be collected, maintained, and delivered to the Department within 15 days upon request. The applicant asserts that it recognizes that to the extent it is within the scope of its recording system, it will maintain source of payment and total amounts charged for the fiscal year.

## **SHP Criterion 7 – CON Approval**

The applicant submits that Cedar Lake is CON approved for the present MRI site and the equipment. However, regarding the proposed second site and MRI equipment, the applicant asserts that it will not provide MRI service and/or utilize any MRI equipment until obtaining a CON or written evidence from the Department that the equipment is exempt from CON approval. Thus, that is the reasoning for the proposed CON project being filed by Cedar Lake.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 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**

The application was reviewed for compliance with the *FY 2015 Mississippi State Health Plan* as discussed above.

**GR Criterion 2 - Long Range Plan**

The applicant states that Cedar Lake wishes to improve the quality of healthcare for the citizens of Jackson County and GHSA IX. Thus, the applicant believes that the addition of fixed MRI services will aid in achieving this goal.

**GR Criterion 3- Availability of Alternatives**

The applicant considered the option not to seek CON approval and maintain status quo as their first option. However, this option was rejected because it would fail to provide Cedar Lake with the ability to provide MRI services closer to physicians who provide services and patients who utilize the Bienville Orthopaedic Specialties' Gautier office. Additionally, the applicant states that this option would cause Bienville Orthopaedic Specialties to continue to divert its patients living in the Gautier area to Cedar Lake Open MRI, LLC in Gulfport, MS for MRI services instead of the proposed, more convenient location in Gautier, MS.

If the proposed project is approved, Cedar Lake anticipates that nearly half of Bienville OS's patients will likely receive services at the proposed location. This option is the best solution to document need because it provides availability of MRI services for patients and referral sources in the most convenient and efficient manner while providing access to area residents of Gautier, MS.

**GR Criterion 4 - Economic Viability**

The applicant's three-year projected operating statement contained in the application indicates net income for the first year through third year of operation (see Attachment 1).

Cedar Lake contends that the charges are based on Medicare, Medicaid and commercial insurance and that the profitability numbers for this project are not

exceedingly high. The applicant submits that the cost for an MRI scan will be \$478 per scan and the charge to patients will be \$2,171 per scan the first year of operation.

The applicant states that the projected number of scans is based on the affidavits attached to the application. The applicant further states that utilization of the services will be similar to that experienced by other fixed providers.

The applicant asserts that Cedar Lake Open MRI, LLC has the financial capacity to offset any failure of the proposed project to meet the projected revenues.

#### **GR Criterion 5 - Need for the Project**

Cedar Lake affirms that all low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly will have access to the fixed MRI services offered by Cedar Lake at the proposed second location in Gautier, MS.

Staff determined that in the current *MSHP*, the MRI scans for the facilities in GHSA 9 have decreased slightly over the last year but have not remained well above the minimum requirement. Based on the *FY 2014* and *FY 2015 MSHPs*, staff determined that the projected population for 2015 and 2020 increased in Jackson County from 139,937 to 151,765. Nevertheless, the applicant asserts that its addition of fixed service five days a week in an area away from other providers should not have a significant impact on other facilities. Conversely, the applicant contends that approval of the proposed project will provide a new access point for MRI services in an area of Jackson County.

Based on the *FY 2015 MSHP*, there were 16 MRI sites (mobile and fixed) that provided MRI services during FY 2012 and FY 2013 in GHSA IX. Four of these sites were located in Jackson County. The four sites located in Jackson County, included in the GHSA IX table exceeded the 1,700 minimum procedure requirements for FY 2012 and for FY 2013.

As a note, the proposed location is 14.1 miles from Cedar Lake's existing site at 1720 Medical Park Drive, Biloxi, Harrison County MS. Based on the information from MapQuest, listed below are the sites located in Jackson County and their distance from the proposed site at 6300 Allen Road, Gautier, Jackson County, Mississippi (see table below).

**Existing Jackson County MRI Sites and  
 Their Distance from Gautier, MS (Proposed Site)**

Facility Name	Location	Miles from Proposed Site	2013 Number of Procedures Performed
Ocean Springs Hospital	3109 Bienville Blvd., Ocean Springs, MS	5.1 miles	4,291
OMRI, Inc. d/b/a Open MRI	3890 Bienville, Ocean Springs, MS 39564	6.10 miles	3,750
Singing River Hospital	2809 Denny Ave, Pascagoula, MS 39581	17.50 miles	5,507

The applicant asserts that if the CON project is approved, half of the MRI scans being referred by the Bienville OS physicians at the primary location; Cedar Lake Open MRI will shift to the second location in Gautier. The applicant states the approval of the proposed project will meet the need the population formula projects, meet the need as projected by the physicians who provided the affidavits, increase accessibility to Gautier patients and others who choose the proposed location through their physician employed with Bienville OS.

The applicant documents that existing service providers in GHSA IX should not experience any significant adverse effects if the proposed project is approved and become operational. Additionally, the applicant states that to project the number of scans, Cedar Lake provided affidavits physicians and determined that based on the affidavits, it could anticipate a minimum of 2,820 physician referrals. As a result, the applicant conservatively projected it could perform 2,258 scans the first year, 2,820 scans the second year, and 2,977 scans the third year of operation.

The applicant indicates that the first year projections allow for start-up time and the second year projections are based more on the affidavit's anticipated referrals. The applicant further states that the third year projections are more reasonable based on service area utilization, affidavits, use of Cedar Lake and expected population growth for the Harrison and Jackson Counties.

The application contains six (6) letters of support for the project from residents, healthcare professionals, business owners, and city officials. Although thirteen affidavits of physicians were including under *Exhibit F* as future referrals of patients to the proposed MRI location, the same 13 affidavits were shown under *Exhibit J* as letters of support for the proposed fixed, MRI unit/service. The favorable letters express how the proposed project will serve to enhance the healthcare service provided to the residents and patients of Gautier and Biloxi and surrounding areas of GHSA IX.

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

### **GR Criterion 6- Access to the Facility**

The applicant states that Cedar Lake currently provides MRI services to all patients who require such services, including all medically underserved populations at its main facility and will continue to do so.

The applicant's projected percentage of gross patient revenue of health care provided to charity care patients for the first and second years of operation will be one percent for the proposed project.

The applicant submits that Cedar Lake has no obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

The applicant states that all payor sources and indigent patients will be able to receive MRI services at its facility and at the proposed location.

The applicant submits that MRI services will be available Monday through Friday, five (5) days per week for non-emergency procedures. The facility does not have an emergency department and does not offer emergency room services.

### **GR Criterion 7- Information Requirement**

Cedar Lake Open MRI, LLC affirms that it will record and maintain, at a minimum, the information stated in this criterion regarding charity care, care to the medically indigent, and Medicaid populations, and make it available to the Mississippi State Department of Health within 15 days of request.

### **GR Criterion 8 - Relationship to Existing Health Care System**

Cedar Lake Open MRI, LLC (Biloxi) is located in GHSA IX, Harrison County, Mississippi. The applicant states that MRI service providers do exist in GHSA IX, but there are none in the Gautier area. The applicant submits that currently, patients who are seen at Bienville Orthopaedic Specialties' Gautier clinic in need of MRI services are being referred to and travel to Cedar Lake's existing freestanding MRI facility in Biloxi, MS.

The applicant believes that by adding a free-standing MRI provider to this area, residents and patients in surrounding areas will have better access to the service and will allow patients to visit the proposed a freestanding location instead of a hospital to receive MRI services. Furthermore, the applicant asserts that if the proposed fixed MRI unit/service is CON approved, the second location will assist Cedar Lake in scheduling patients between the two the MRI units based on the patients' preference and availability of the units.

The 2015 MSHP shows that GHSA IX had a total of 14 fixed MRI sites and six (6) mobile, in FY 2012, FY 2013 and FY 2014 (updated) utilizing 19.3 FTE MRI units. These sites and units performed a total of 37,691, 34,535 MRI and 36,506 procedures in 2012, 2013 and 2014, respectively. The average number of procedures performed per FTE unit for FY 2012, FY 2013 and FY 2014 (updated) was 1,952.90, 1,789.38 and 1,891.50, respectively (See Attachments 2 and 3).

Based on the proposed existing MRI units/service and proposed MRI unit/location (Attachment 3), staff concludes that this project will not have a significant adverse affect on existing MRI providers in GHSA IX.

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

#### **GR Criterion 9 - Availability of Resources**

Cedar Lake states that there will be personnel anticipated for the proposed project. The applicant further states that additional personnel will be recruited through traditional advertising and networking, if necessary.

#### **GR Criterion 10 – Relationship to Ancillary or Support Services**

The applicant asserts that no support or ancillary services will be needed for the proposed MRI project.

#### **GR Criterion 11- Health Professional Training Programs**

The applicant states that Cedar Lake works with the American College of Radiology (ACR) and will work with professional training programs in the area if requested to do so. In addition, the applicant indicates that Bienville Orthopedic Specialties participate and will continue participate in training of medical students.

#### **GR Criterion 16 - Quality of Care**

The applicant submits that Cedar Lake is presently providing MRI service at the current location in Harrison County and is accredited by American College of Radiology (ACR) in MRI, Computed Tomography, Mammography, and Ultrasound and anticipates applying for and receiving the same ACR accreditation for its Gautier, Jackson County, MS location.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The applicant affirms that capital expenditure associated with the proposed project is \$1,295,000.00.

<b>Cost Item</b>	<b>Estimated Cost</b>	<b>% of the Total</b>
Construction Cost -New	0	0.00%
Construction Cost-Renovation	0	0.00%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	0	0.00%
Total Fixed Equipment Cost	1,200,000	92.66%
Total Non-Fixed Equipment Cost	75,000	5.79%
Land Cost	0	0.00%
Site Preparation Cost	0	0.00%
Fees (Architectural and Consultant Fees )	0	0.00%
Fees (Legal and Accounting )	20,000	1.54%
Contingency Reserve	0	0.00%
Capitalized Interest	0	0.00%
Other Cost (Misc )	0	0.00%
Other Cost	0	0.00%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$ 1,295,000</b>	<b>100%</b>

**B. Method of Financing**

The applicant provided confirmation from a financial institution attesting that Cedar Lake has loan approval for the purchase of the MRI equipment and build out costs associated with the MRI services. Thus, the proposed project will be funded by a loan.

**C. Effect on Operating Costs**

Cedar Lake Open MRI, LLC's three-year projected operating statement is provided in Attachment 1 for the proposed project.

**D. Cost to Medicaid/Medicare**

The applicant's projection to third party payors is as follows (based on gross patient revenue):



Payor	Utilization Percentage	First Year Revenue
Medicaid	4.00%	\$196,968.60
Medicare	33.00%	\$1,624,990.95
Self Pay	3.00%	\$147,726.45
Commercial	45.00%	\$2,215,896.75
Charity	0.00%	\$0.00
Other	15.00%	\$738,632.25
<b>Total</b>	<b>100%</b>	<b><u>\$4,924,215.00</u></b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid (“DOM”) was provided a copy of this application for comment; however, as of January 11, 2016, the Department has received no comments.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of magnetic resonance imaging (MRI) equipment and offering of mobile MRI services as contained in the *FY 2015 Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

**Under SHP Criterion –Need the FY 2015 MSHP states:**

- 1(c). The applicant shall 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.

The 2015 MSHP shows that GHSA IX had a total of 14 fixed MRI sites and six (6) mobile, in FY 2012 and FY 2013 utilizing 19.3 FTE MRI units. These sites and units performed a total of 37,691 and 34,535 MRI procedures in 2012 and 2013, respectively. The average number of procedures performed per FTE unit for FY 2012 and FY 2013 were 1,952.90 and 1,789.38, respectively.

For FY 2014 (updated), these same sites utilized 19.3 FTE MRI units; performed a total of 32,362 MRI procedures and the average number of procedures performed per FTE unit was 1,891.50. Thus, for the most recent twelve (12) months, the numbers of procedures were above the required 1,700 MRI procedures.

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

**ATTACHMENT 1  
 Cedar Lake Open MRI, LLC  
 Three-Year Operating Statement (Project Only)**

	Proposed Year 1	Proposed Year 2	Proposed Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$	\$	\$
Outpatient Care Revenue	4,924,215	6,155	6,463,030
<b>Gross Patient Care Revenue</b>	<b>\$ 4,924,215</b>	<b>\$ 6,155,267</b>	<b>\$ 6,463,030</b>
Charity Care	\$	\$	\$
Deductions from Revenue	\$ 3,739,932	\$ 4,674,915	\$ 4,908,660
<b>Net Patient Care Revenue</b>	<b>\$ 1,184,283</b>	<b>\$ 1,480,352</b>	<b>\$ 1,554,370</b>
Other Operating Revenue			
<b>Total Operating Revenue</b>	<b>\$ 1,184,283</b>	<b>\$ 1,480,352</b>	<b>\$ 1,554,370</b>
<b>Operating Expense</b>			
Salaries	\$ 163,296	\$ 204,120	\$ 214,344
Benefits	32,659	40,824	42,869
Supplies	27,216	34,020	35,724
Services	410,962	512,702	539,432
Lease	120,000	123,000	126,075
Depreciation	255,000	255,000	255,000
Interest	45,806	36,417	26,646
Other	28,350	35,438	37,213
<b>Total Operating Expense</b>	<b>\$ 1,083,289</b>	<b>\$ 1,241,521</b>	<b>\$ 1,277,303</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 100,994</b>	<b>\$ 238,831</b>	<b>\$ 277,067</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Inpatient days	-	-	-
Outpatient days	2,268	2,805	2,977
Procedures	-	-	-
Charge per outpatient day	2,171	2,194	2,171
Charge per inpatient day	N/A	N/A	N/A
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	N/A	N/A	N/A
Cost per outpatient day	478	443	429
Cost per procedure	N/A	N/A	N/A

**ATTACHMENT 2  
 General Hospital Service Area IX (9)  
 Location and Number of MRI Procedures  
 FY 2015 State Health Plan**

Facility	Type of Providers	City	County	Type/No. of Equipment	Number of MRI Procedures Performed 2012	Number of MRI Procedures Performed 2013	Days/Hours of Operation 2013	FTE Unit 2013
Biloxi Regional Medical Center	H	Biloxi	Harrison	F	3,093	2,268	M-F, 50+ Hrs.	1
Cedar Lake MRI-Open MRI LLC	FS	Gulfport	Harrison	F	2,764	3,680	M-F, 55 Hrs.	1
Coastal County Imaging Services	FS	Gulfport	Harrison	F	1,445	1,260	M& F, 45 Hrs.	1
Compass Imaging, LLC	FS	Gulfport	Harrison	F	3,511	4,144	M-F 80 Hrs.	1
Compass Imaging, LLC*	FS	D'Iberville	Harrison	M	-	443	Tu. & F, 8 Hrs.	0.2
Garden Park Medical Center	H	Gulfport	Harrison	F	1,957	1,930	M-F, 40 Hrs.	1
George County Hospital	H	Lucedale	George	F	851	894	M-F, 40 Hrs.	1
Hancock Medical Center/HMC-Imaging Center	H	Bay St. L./D.Head	Hancock	F (2)	1,350	1,097	M-F,100 Hrs.	2
Highland Community Hospital*	H	Picayune	Pearl River	M	1,243	1,469	M-Sat., 45 Hrs.	1
Memorial Hospital at Gulfport	H	Gulfport	Harrison	F(2)	6,744	7,385	M-F, 150 Hrs.	2
Ocean Springs Hospital	H	Ocean S./OS Img Ctr.	Jackson	F (2)	4,652	4,291	M-F, 115+ Hrs.	2
OMRI, Inc. d/b/a Open MRI	MP	Ocean Springs	Jackson	M(3)	4,228	NA	M, Thr. 120 & F 160 Hrs.	3
Singing River Hospital	H	Pascagoula	Jackson	F(2) M	5,632	5,507	M-F, 155+ Hrs.	3
Stone County Hospital	H	Wiggins	Stone	M	221	167	Sat., 4 Hrs.	0.1
<b>Total MRI Procedures</b>					<b>37,691</b>	<b>34,535</b>		<b>19.3</b>
<b>Average Procedures/ FTE MRI</b>					1,952.90	1,789.38		

Source: FY 2015 MS State Health Plan

F – Fixed Unit  
 M - Mobile MRI unit  
 FTE – Full-time equivalent

\*Compass Imaging, LLC was CON Approved February 2013 to provide mobile MRI Services in D'Iberville, Harrison County, MS.  
 \*Southern Neurologic and Spinal Institute fka Southern Medical Imaging.  
 \*Highland Community Hospital received CON approval for the Acquisition of MRI Equipment and Conversion from Mobile MRI Services to Fixed MRI Services in April 2014.

**ATTACHMENT 3**

**Current and Proposed  
 MRI Equipment (Fixed and Mobile) and Locations**

Facility	Type/ No. of Equip ment	Number of MRI Procedures Performed 2013	Number of MRI Procedures Performed 2014 (Updated)	Days/Hours of Operation 2013 and 2014	FTE Unit 2013 and 2014		Year 1 Proposed MRI Scans	Year 2 Proposed MRI Scans	Proposed FTE Unit For Year 1 & Year 2
Biloxi Regional Medical Center	F	2,268	1,537	M-F, 50+ Hrs.	1		1,537	1,537	1
Cedar Lake MRI-Open MRI LLC (Biloxi)	F	3,680	4,106	M-F, 55 Hrs.	1		4,106	4,106	1
Cedar Lake MRI-Open MRI LLC <b>PROPOSED</b> (Gautier)	F						<b>2,268</b>	<b>2,820</b>	1
Coastal County Imaging Services	F	1,260	1,200	M& F, 45 Hrs.	1		1,200	1,200	1
Compass Imaging, LLC**	F	4,144	4,144	M-F 80 Hrs.	1		4,144	4,144	1
Compass Imaging, LLC	M	443	837	Tu. & F, 8 Hrs.	0.2		837	837	0.2
Garden Park Medical Center	F	1,930	2,020	M-F, 40 Hrs.	1		2,020	2,020	1
George County Hospital	F	894	0	M-F, 40 Hrs.	1		0	0	1
Hancock Medical Center/HMC-Imaging Center	F (2)	1,097	1,170	M-F, 100 Hrs.	2		1,170	1,170	2
Highland Community Hospital	M	1,469	1,222	M-Sat., 45 Hrs.	1		1,222	1,222	1
Memorial Hospital at Gulfport	F(2)	7,385	7,471	M-F, 150 Hrs.	2		7,471	7,471	2
Ocean Springs Hospital	F (2)	4,291	4,609	M-F, 115+ Hrs.	2		4,609	4,609	2
OMRI, Inc. d/b/a Open MRI*	M(3)	3,750	2,800	M, Thr. 120 & F 160 Hrs.	3		2,800	2,800	3
Singing River Hospital	F(2) M	5,507	5,218	M-F, 155+ Hrs.	3		5,218	5,218	3
Stone County Hospital	M	167	172	Sat., 4 Hrs.	0.1		172	172	0.1
<b>Total MRI Procedures</b>		<b>38,285</b>	<b>36,506</b>		<b>19.3</b>		<b>38,774</b>	<b>39,326</b>	<b>20.3</b>
<b>Average Procedures/ FTE MRI</b>		1,983.69	1,891.50				1,910.05	1,937.24	

Source: FY 2015 MS State Health Plan and updated procedures received for 02/2016.

F – Fixed Unit, M - Mobile MRI unit, FTE – Full-time equivalent

\* Open MRI –Updated procedures for FY 2013 and 2014 were received by the Department 02/2016.

\*\* FY 2013 MRI scan utilized. FY 2014 MRI procedures were not available.

**ATTACHMENT 3  
 (CONTINUED)**

**GHSA Proposed  
 MRI Equipment (Fixed and Mobile) and Locations**

<b>Facility</b>	<b>Year 1 Proposed MRI Scans</b>	<b>Year 2 Proposed MRI Scans</b>	<b>Proposed FTE Unit For Year 1 &amp; Year 2</b>	
Biloxi Regional Medical Center	1,537	1,537		
Cedar Lake MRI-Open MRI LLC (Biloxi)	4,106	4,106		
Cedar Lake MRI-Open MRI LLC <b>PROPOSED</b> (Gautier)	<b>2,268</b>	<b>2,820</b>		
Coastal County Imaging Services	1,200	1,200		
Compass Imaging, LLC	4,144	4,144		
Compass Imaging, LLC*	837	837		
Garden Park Medical Center	2,020	2,020		
George County Hospital	0	0		
Hancock Medical Center/HMC-Imaging Center	1,170	1,170		
Highland Community Hospital*	1,222	1,222		
Memorial Hospital at Gulfport	7,471	7,471		
Ocean Springs Hospital	4,609	4,609		
OMRI, Inc. d/b/a Open MRI*	0	0		
Singing River Hospital	5,218	5,218		
Stone County Hospital	172	172		
<b>Total MRI Procedures</b>	35,974	36,526		20.03
<b>Average Procedures/ FTE MRI</b>	1,796.01	1,823.56		