

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
OCTOBER 2, 2023**

**CON REVIEW: ASC-A-0823-010  
MISSISSIPPI SPORTS MEDICINE & ORTHOPAEDIC  
CENTER, PLLC D/B/A MISSISSIPPI SPORTS MEDICINE AND  
ORTHOPAEDIC CENTER, FLOWOOD CLINIC  
AMENDMENT TO CON NUMBER: R-0962  
(CON REVIEW: ASC-NIS-1219-012)  
OFFERING OF MRI SERVICES AT MISSISSIPPI SPORTS MEDICINE  
AND ORTHOPAEDIC CENTER, FLOWOOD CLINIC  
ORIGINAL CAPITAL EXPENDITURE: \$722,500.00  
ADDITIONAL CAPITAL EXPENDITURE: \$286,479.00  
REVISED CAPITAL EXPENDITURE: \$1,008,979.00  
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Mississippi Sports Medicine & Orthopaedic Center, PLLC (“MSMOC”) is a Mississippi Limited Liability Company located at 1325 East Fortification Street, Jackson, Mississippi. The entity also operates an orthopaedic medicine clinic in Flowood, Mississippi, located at 4506 Lakeland Drive (“Flowood Clinic”). The entity consists of sixteen (16) members and two (2) officers. The Mississippi Office of the Secretary of State issued a Certificate of Good Standing on August 15, 2023, indicating that Mississippi Sports Medicine & Orthopaedic Center, PLLC, is in good standing with the State of Mississippi and has continued authority to operate in Mississippi.

**B. Project Background**

Mississippi Sports Medicine & Orthopaedic Center, PLLC d/b/a Mississippi Sports Medicine and Orthopaedic Center, Flowood Clinic was granted Certificate of Need (CON) No. R-0962 on March 2, 2020, for the Offering of MRI Services at Mississippi Sports Medicine and Orthopaedic Center, Flowood Clinic.

The proposal entailed 1) the acquisition and control of a new MRI system, a musculoskeletal scanner system (the “Extremity MRI”), and 2) the offering of MRI services at the Flowood Clinic with this new system. The applicant states that the proposed project would allow patients to have an MRI scan performed and their condition diagnosed more quickly without waiting for an appointment at another location. The applicant asserts that the proposed system, designed for limb, joint, and spine examinations, features a very compact magnet that allows a patient to place their affected limb or other body part in the machine, offering maximum comfort and no claustrophobia.

The applicant affirms that MSMOC operates an orthopaedic medicine clinic in Flowood, Mississippi, located at 4506 Lakeland Drive (“Flowood Clinic”). Madison

Physician Surgery Center, LLC, a separate entity, operates a single-specialty surgical facility in the same building ("ASC"). The applicant states that ASC is physically separated from non-surgical activities, as required by applicable federal and state regulations, and utilizes a separate address: 4509 Lakeland Drive.

MSMOC asserts the proposed MRI system will be placed in existing vacant space requiring minimal renovation of approximately 1,000 square feet.

The original application projected a total capital expenditure of \$722,500.00. The Applicant proposed to finance the proposed project with a combination of operating revenues and cash reserves.

On November 4, 2019, the MSDH Division of Health Facilities Licensure and Certification approved the site for the proposed project at the Flowood clinic.

**C. Project Description**

Mississippi Sports Medicine & Orthopaedic Center, PLLC d/b/a Mississippi Sports Medicine & Orthopaedic Center, Flowood Clinic now requests CON authority for an amendment to CON No. R-0962, and to increase the capital expenditure accordingly, as authorized by Chapter 6, Section 6.7 of the CON Review Manual. The Applicant submits that the proposed changes are required due to extenuating circumstances or events and do not represent a substantial change in construction, service, or capital expenditure. The Applicant's amended application, filed with the Department, is proposing the construction of a new building due to the space originally set aside for the MRI is no longer suitable for this purpose due to the growth in patient volume. The Applicant submits that the new building will be located adjacent to the Flowood facility, which will house the new MRI.

Furthermore, the Applicant requests authority to increase the capital expenditure from \$722,500.00 to \$1,008,979.00, an increase of \$286,479.00.

The Application includes an approval letter dated September 6, 2023, from the Division of Fire Safety and Construction, Bureau of Health Facilities Licensure and Certification, and a cost estimate provided by Benson Companies, a Mississippi-licensed building contractor.

**1. Provide a photocopy of the original Certificate of Need.**

The Applicant included a copy of the original Certificate of Need.

**2. Describe all proposed changes not approved in the original CON application (e.g., changes in square footage, construction, or renovation; changes in range, facilities served, or types of services; bed changes; equipment changes; etc.)**

**a. Transfer of CON:**

This project does not involve the transfer of a CON.

**b. Change of Site:**

The Applicant submits that the new building will be located adjacent to the Flowood facility, which will house the new MRI.

**3. If project is related in whole or in part to compliance with requirements of the Licensure and Certification Division of the MSDH or any other certification or licensing authority, provide documentation.**

The Application includes an approval letter dated September 6, 2023, from the Division of Fire Safety and Construction, Bureau of Health Facilities Licensure.

**4. If the project is related to a construction/expansion project, enclose a copy of the revised cost estimate signed by a licensed architect or licensed Mississippi building contractor.**

The application included a copy of the architect's cost estimate.

**5. If actual construction has not begun, give date it will begin and the reasons for the delay.**

The Applicant projects with approval from the Mississippi State Department of Health ('MSDH'), that the construction will begin within ninety (90) days, and the project will be completed within 180 days (6 months) of the approved amendment/cost overrun application.

**6. Provide evidence that the Division of Radiological Health has approved the plans for provision of radiation therapy services, if applicable.**

The Applicant states that this is not applicable to the proposed project. The Applicant affirms that the MRI unit is designed to be used only for diagnostic purposes.

**7. If the project involves the purchase/lease/change in vendor or manufacturer of major medical equipment not included in the originally approved certificate of need project, provide the following:**

- a. Type of equipment, capacity, and manufacturer**
- b. Purchase price of equipment**

- c. **Purchase and installation date(s) of equipment; and**
- d. **Explanation of cost variance from original quotes.**

The Applicant states that because of changing patient needs at this clinic, the Applicant is seeking approval to purchase a different model MRI machine. The Applicant has included a quote from Dynamic Imaging Service for the refurbished GE 1.5T 16 Channel 23x MRI machine. The Applicant submits that the equipment will be housed in a mobile coach located at a fixed location on the premises of the Applicant's Flowood Clinic and operated as a fixed MRI unit. The Applicant further states that the MRI unit will be located on land already owned by and used as the site for the Applicant's Flowood clinic.

The Applicant states the original Certificate of Need authorized the purchase of an extremity MRI at a cost of \$495,000; therefore, there is only a minor difference in the cost of the two (2) units, owing principally to the difference in types of units (full MRI vs. extremity MRI) and the fact that the proposed unit has been refurbished. The Applicant further states, if approved, the Applicant projects that construction will begin within ninety (90) days of approval, and the project will be completed within 180 days.

- 8. **Will the amendment require any change in facility staffing? If so, identify changes in terms of personnel skills number of personnel and indicate your recruitment plan which will obtain the services of these personnel.**

The Applicant states that this is not applicable to the proposed project.

- 9. **List all transfer/referral/affiliation agreements between your facility and other providers of health care within your service area, which have changed since the original application was submitted or will change as a result of this amendment.**

The Applicant states this is not applicable to the proposed project.

- 10. **Provide the estimated date this project will be implemented/completed if the amendment/cost overrun is granted.**

The Applicant states, if approved, the Applicant projects that construction will begin within ninety (90) days of approval, and the project will be completed within 180 days.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (“MSDH”) reviewed the original project in accordance with Sections 41-7-173, 41-7-191, and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the 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 of 1972 Annotated, as amended, any affected person may request a public hearing on this project within ten (10) days of publication of this staff analysis. The opportunity to request a hearing expires on October 12, 2023.

### III. FINANCIAL FEASIBILITY

#### A. Capital Expenditure Summary

##### 1. Complete the Capital Expenditure Summary.

#### Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	0	0	0
2. Construction/Renovation	\$130,000	\$398,979	\$268,979
3. Land	0	0	0
4. Site Work	0	0	0
5. Fixed Equipment	\$500,000	0	(\$500,000)
6. Non-Fixed Equipment	\$72,500	\$485,000	\$412,500
7. Contingency	0	\$100,000	\$100,000
8. Fees (Architectural, Consultant, etc.)	\$20,000	\$25,000	\$5,000
9. Capitalized Interest	0	0	0
10. Capital Improvements	0	0	0
<b>Total Capital Expenditure</b>	<b>\$722,500</b>	<b>\$1,008,979</b>	<b>\$286,479</b>

##### 2. Provide line-item justification for each increase (or decrease) in capital expenditure.

The applicant has provided a line-item justification increase/decrease chart below:

Item	Difference	Explanation
Construction/Renovation	\$268,979	Proposed plan calls for the construction of new space to house the MRI unit instead of a minor renovation to the clinic interior, as previously proposed.
Fixed Equipment	(\$500,00)	Proposed unit is not anchored to foundation
Non-Fixed Equipment	\$412,000	Proposed unit is fixed but housed in a mobile coach.
Contingency	\$100,00	Increased potential for construction cost increases, due to inflation.
Fees(Architectural, Consultant, etc.)	\$5,000	General increases in costs of professional services.

The Applicant states the increase in capital expenditure attributes to the space originally set aside for the MRI that is no longer suitable for this purpose, due to the growth in patient volume. Therefore, the Applicant is proposing to construct a new building. Additionally, The Applicant states that because of changing patient needs at this clinic, the Applicant is seeking approval to purchase a different model MRI machine.

**a. Document capital expenditure made to date and the percentage of completion.**

The Applicant states that approximately \$7,500 has been expended, thus far, for professional (architectural) fees for this new plan. The Applicant submits approximately, \$10,000 had been spent in professional fees on the original proposal. The Applicant further states construction has not begun and neither unit (as originally approved or as proposed in this amendment) has been purchased; therefore, percentage of completion is 0%.

**3. Enclose a revised project operating statement for the first full year of operation after completion of the project (for the proposed project/service only); include increased or decreased cost per day/procedure and charges per day/procedure.**

The Applicant affirms that MSMOC does not anticipate a material change

in the projected operating statement, cost per procedure, or charge per procedure as a result of this amendment.

- 4. Disclose source of all financing (if debt attach creditor's letter).**
- a. Provide amount of loan/lease, interest rate, term of loan, and payment/lease amount.**

The Applicant states not applicable to the proposed project. The Applicant further states that MSMOC will use a combination of operating revenues and cash reserves for the proposed project if approved.

- b. Enclose a loan amortization schedule for all loans.**

The applicant states not applicable to the proposed project. Additionally, the applicant states that MSMOC will use a combination of operating revenues and cash reserves for this proposed project.

- 5. Provide audited or un-audited financial statements for the past year.**

The Department received and reviewed confidential financial statements submitted by MSMOC.

- 6. Enclose a revised depreciation schedule for all assets.**

The Applicant's application included a revised depreciation schedule.

- 7. Show effect of the project on Medicaid patients, Medicare patients and other payers.**

The Applicant states that MSMOC does not anticipate a material change in the financial projections as a result of the amendment. The Applicant further states that having an MRI unit on the grounds of the Flowood clinic, instead of requiring orthopedic patients to travel to other locations, increases the accessibility, continuity, and quality of health services without unnecessarily duplicating health resources.

**B. Method of Financing**

The original application stated that the MSMOC proposes to fund the \$722,500 capital expenditure from cash reserves. The Applicant now states that MSMOC will use a combination of operating revenues and cash reserves for the proposed project if approved.

**C. Effect on Operating Cost**

The Applicant's Revised One-Year Projected Operating Statement is shown in Attachment 1.

**D. Cost to Medicaid/Medicare**

The Applicant projects gross patient revenue costs to third-party payors as follows.

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	40.00%	\$ 840,000.00
<b>Medicaid</b>	20.00%	420,000.00
<b>Commercial</b>	25.00%	525,000.00
<b>Self-Pay</b>	5.00%	105,000.00
<b>Charity Care</b>	3.00%	63,000.00
<b>Other</b>	7.00%	147,000.00
<b>Total</b>	<b>100.00%</b>	<b>\$2,100,000.00</b>

#### IV. COMPLIANCE WITH STATE HEALTH PLAN, POLICIES AND PROCEDURES

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

- To improve the health of Mississippi residents**  
 The Applicant states that the amended project will continue to improve the health of Mississippi residents by increasing the accessibility of MRI services for Applicant's patients suffering from breaks, dislocations, and other types of orthopaedic conditions that cause pain and suffering. The Applicant submits, at present, that individuals presenting at the Applicant's Flowood Clinic must go elsewhere for these services. The Applicant asserts that having an MRI system available on the same campus will greatly increase the speed at which this state-of-the-art diagnostic imaging system can be utilized to diagnose a patient's condition and help relieve some of the scheduling pressure on the two (2) existing MRI units, operated by the Applicants at its Jackson Clinic. The Applicant further states that MSMOC proposes to refer patients to other MSMOC clinics to Flowood.
- To increase the accessibility, acceptability, continuity, and quality of health services**

The Applicant states that having an MRI system in the same clinic location, utilizing the same treatment protocols and billing procedures as the patient's treating physician(s), will increase the accessibility, acceptability, continuity, and quality of the health services offered by the Applicant, resulting in patients being treated more quickly and efficiently in this manner. The Applicant states, at present, MSMOC physicians must either refer patients to another provider or make an appointment for patients to be seen at the Jackson Clinic. The Applicant further states that saving the patients and the physicians this step will also increase the



quality of orthopaedic services that are provided by facilitating diagnostic imaging by technicians who are experienced in handling orthopaedic injuries.

- **To prevent unnecessary duplication of health resources**

The Applicant states that MRI service providers in the MSMOC services area are continuing to experience significant treatment volumes, well above the minimum criteria provided for in the State Health Plan. The Applicant submits the use rate in the FY 2022 Plan demonstrates that there continues to be a need for MRI units in General Service Area 5 (82,962 MRI Procedures for 2020/38.55 FTE units = 2,152 procedures per unit). The Applicant further states that an MRI system on the grounds of the Flowood clinic would allow faster treatment of patients suffering orthopaedic injuries without unnecessarily duplicating such diagnostic imaging procedures offered elsewhere.

- **To provide some cost containment**

MSMOC states that a refurbished MRI system, as proposed in this amendment, costs significantly less than a new full MRI system. The Applicant states that treating patients with a less expensive diagnostic imaging system will facilitate cost containment.

The *FY 2018 Mississippi State Health Plan ("MSHP")* was in effect at the time the original CON Application was submitted to the Department. The original application was approved and found to be in substantial compliance with the *FY 2018 MSHP*. The Applicant's CON Amendment Application was submitted under the *FY 2022 Mississippi State Health Plan, Third Edition ("MSHP")*. The Applicant's Amendment Application is also in compliance with the *FY 2022 MSHP*.

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

The *Mississippi Certificate of Need Review Manual (September 1, 2019, Revision)* was in effect at the time the original CON Application was submitted to the Department. The original project was found to be in compliance with the CON Review Manual.

Chapter 8 of the *Mississippi Certificate of Need Review Manual (September 1, 2019, Revision)* addresses general criteria by which all CON applications are reviewed. The Applicant's CON Amendment Application is also in substantial compliance with the general review criteria contained in the CON Review Manual.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid (the "Division") was provided a copy of this application for review and comment. As of the date of this staff analysis, the Division has not provided any comments on the proposed project,

## **VI. CONCLUSION AND RECOMMENDATION**

This project continues to be in substantial compliance with the overall objectives of the *FY 2022 Mississippi State Health Plan, Third Edition*; Chapter 8 of the *Certificate of Need Review Manual, 2019 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Mississippi Sports Medicine & Orthopaedic Center, PLLC d/b/a Mississippi Sports Medicine and Orthopaedic Center, Flowood Clinic for an amendment to CON No. R-0962. The amendment allows the CON Holder to construct a new building to be located adjacent to the Flowood facility and allows the CON Holder to increase the authorized capital expenditure from \$722,500.00 to \$1,008,979.00 for the Offering of MRI Services at Mississippi Sports Medicine and Orthopaedic Center, Flowood Clinic.

**Attachment 1**  
**Mississippi Sports Medicine & Orthopaedic Center, PLLC d/b/a**  
**Mississippi Sports Medicine and Orthopaedic Center, Flowood Clinic**  
**Revised One Year Operating Statement (Project Only)**  
**Offering of MRI Services at Mississippi Sports Medicine and**  
**Orthopaedic Center, Flowood Clinic**

	<b>Proposed Year 1</b>	
<b>Revenue</b>		
Outpatient Revenue		\$2,100,000.00
<b>Gross Patient Revenue</b>		<b>\$2,100,000.00</b>
Charity Care		\$57,750.00
Deductions from Revenue		\$1,567,125.00
<b>Net Patient Care Revenue</b>		<b>\$475,125.00</b>
<b>Total Operating Revenue</b>		<b>\$475,125.00</b>
<b>Operating Expenses</b>		
Salaries	\$	150,000.00
Benefits		30,000.00
Supplies		10,000.00
Services		15,000.00
Radiologist Read Fees		0
Depreciation		103,143.00
Interest		0
Other		35,000.00
<b>Total Operating Expenses</b>	<b>\$</b>	<b>343,143.00</b>
<b>Net Operating Income (Loss)</b>	<b>\$</b>	<b>131,982.00</b>
Procedures		1,750
Charge per procedure	\$	1,200.00
Cost per procedure	\$	196.00