

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2005**

**CON REVIEW HG-NIS-0505-016  
WAYNE GENERAL HOSPITAL  
ESTABLISHMENT OF MOBILE MRI SERVICES  
CAPITAL EXPENDITURE: \$100,000  
LOCATION: WAYNESBORO, WAYNE COUNTY, MS**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Wayne General Hospital (WGH) is located in Waynesboro, Wayne County, Mississippi. WGH is a short-term care, 80 bed general/acute care, non-profit facility owned by Wayne County, Mississippi. The hospital provides various healthcare services and operates a rural health clinic.

The hospital is presently governed by a seven member Board. The facility will participate in the Medicaid and Medicare programs, Blue Cross and Blue Shield, and with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

The facility has 75 licensed general/acute care beds set up and staffed. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

| <b>Fiscal Year</b> | <b>Occupancy Rate (%)</b> | <b>ALOS (DAYS)</b> | <b>Medicaid Utilization Rate</b> |
|--------------------|---------------------------|--------------------|----------------------------------|
| 2001               | 44.72                     | 4.12               | 27.3                             |
| 2002               | 38.88                     | 4.02               | 28.9                             |
| 2003               | 42.21                     | 4.18               | 28.3                             |

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

**B. Project Description**

Wayne General Hospital (WGH) requests CON authority to establish mobile MRI services by contracting with a mobile MRI equipment vendor, InSight Health Corporation (IHC). Briefly, InSight Health Corporation is currently providing mobile MRI equipment to Neshoba County General Hospital (Philadelphia), University Hospital (Lexington), and Carvel Imaging (Southaven).

The MRI services will be provided 10 hours per week and a mobile trailer will be parked adjacent to Wayne General Hospital on property owned by the hospital. No new personnel are anticipated for this project; however, WGH 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 the hours of operation to compute MRI imaging methods. Technicians will be provided by InSight Health Corporation, WGH will use existing staff to serve as support staff and five radiologists to interpret the MRI's. No construction is involved; however, it will cost \$10,000 to prepare the property/site for the location of the mobile MRI unit. The MDH, Division of Licensure and Certification has approved the site for MRI services. InSight Health Corporation will be responsible for maintaining the equipment. The expected completion date for this project is January 2006.

**II. TYPE OF REVIEW REQUESTED**

The Mississippi Department of Health reviews applications for the establishment of MRI services in accordance with Section 41-7-191, subparagraph I(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 September 6, 2005.

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

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

The *FY 2005 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and the acquisition of major medical equipment. This application is in substantial compliance with applicable criteria and standards.

**SHP Criterion 1- Need**

WGH feels that there is a need for an imaging service on the hospital's campus because patients must be sent 30 to 60 miles away to other sites to receive diagnostic testing. Since WGH is located in a rural area, many patients do not have transportation or stable financial means to travel to and from a long distance diagnostic testing site. Thus, many WGH patients scheduled for MRI scans must be transported by ambulance to the nearest MRI site. The current MRI plan used by WGH is expensive, time consuming, and inconvenient for patients. Also, WGH's MRI schedule may conflict with emergency calls dispatched to the local ambulance company. Based on these facts, the applicant feels a mobile MRI service would benefit the residents in the Waynesboro area.

The Certificate of Need criteria and standards for offering MRI services outlined in the *FY2005 Mississippi State Health Plan* state that an entity desiring to offer MRI services must document that the specific equipment shall perform a minimum of 1,700 procedures per year by the end of the second year of operation. However, 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.

WGH reports no utilization levels for the last three years because the facility has not provided MRI services in the past and has no utilization history; however, the mobile MRI vendor, InSight Health Corporation, reports that they have an existing mobile route that services Neshoba County General Hospital, University Hospital, and Carvel Imaging. IHC provided a letter to WGH stating that they have performed over 2,350 MRI scans within the past year.

Initially, the applicant submitted updated projections stating WGH will perform 501, 551, and 606 mobile MRI procedures for 2005, 2006, and 2007. Based on the formula used by the applicant and contained in the *2005 Mississippi State Health Plan*, the applicant re-calculated their MRI numerical values and made the following projections of MRI procedures to be performed during the first three years of operation:

| <b>Projected MRI Procedures</b> |             |             |
|---------------------------------|-------------|-------------|
| 2005-Year 1                     | 2006-Year 2 | 2007-Year 3 |
| 520                             | 540         | 560         |

According to the *FY 2005 State Health Plan*, there are currently six fixed MRI units and one mobile unit operating in General Hospital Service Area 6 (see the following table).

| LOCATION AND NUMBER OF MRI PROCEDURES IN GENERAL HOSPITAL SERVICE AREA 6 |             |                        |                 |                 |                         |
|--|-------------|------------------------|-----------------|-----------------|-------------------------|
| Facility   | Location    | Type /No. of Equipment | # of Proc. 2002 | # of Proc. 2003 | Updated # of Proc. 2004 |
| Forrest General Hospital   | Hattiesburg | F(2)●                  | 6,937           | 6,200           | 6,793                   |
| Hattiesburg Clinic, P.A.   | Hattiesburg | F                      | 6,905           | 6,763           | 6,841                   |
| HRG - Covington County Hospital**  | Collins     | M                      | -----           | -----           | 9                       |
| Open MRI, Inc.   | Laurel      | F                      | 1,315           | 1,946           | 2,031                   |
| Open MRI -Marion General Hospital  | Columbia    | M                      | -----           | -----           | 180                     |
| South Central Regional Medical Center                                    | Laurel      | F                      | 3,860           | 3,797           | 4,002                   |
| Southern Bone and Joint Specialist, P.A.                                 | Hattiesburg | F                      | 3,540           | 3,807           | 4,462                   |
| Southern Medical Imaging   | Hattiesburg | F                      | 276             | 1,117           | 1,599                   |
| Wesley Medical Center  | Hattiesburg | F                      | 3,338           | 3,473           | 3,945                   |
| <b>Total</b>   |             |                        | <b>26,171</b>   | <b>27,103</b>   | <b>29,862</b>           |
| <b>Average Number of Procedures</b>                                      |             |                        | <b>3,739</b>    | <b>3,8712</b>   | <b>2,986</b>            |

Note: \*\* Hattiesburg Radiological Group  
 ● Forrest General Hospital added one fixed unit in 2004.

Source: *FY 2005 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2003 and 2004, and Fiscal Years 2002 and 2003 Annual Hospital Reports.

Updated 2004 MRI information indicates Forrest General Hospital added another fixed unit, HRG-Covington County Hospital and Open MRI-Marion General Hospital obtained CONs to provide mobile MRI services to residents in GHSA 6. Based on the data provided, there are eight fixed MRI units and two mobile MRI units located in GHSA 6.

### **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, including, but not limited to, conventional radiology studies, nuclear medicine, and ultrasound.

### **SHP Criterion 3 - Accessibility**

WGH states in the CON application that 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**

WGH 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 the hours of operation to compute MRI imaging methods.

### **SHP Criterion 5 - Research Staffing**

WGH affirms that the facility will not use MRI equipment for experimental procedures.

### **SHP Criterion-6- Data Requirement**

WGH affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health regarding the operation of the MRI equipment. Also, the facility states it will record source of payment for procedures and the total amounts charged during the fiscal year.

### **SHP Criterion-7- CON Approval**

InSight Health Corporation is an approved mobile MRI equipment vendor in Mississippi. The applicant is in compliance with this criteria.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 1 – Consistency with the State Health Plan**

According to WGH, the offering of MRI services is a service directly addressed by the *Plan* to ensure appropriate distribution of service, quality, and cost. The proposed project is in compliance with all criteria and standards for the establishment of MRI services as contained in the *Plan*.

**GR Criterion 2 - Long Range Plan**

The Administration and Governing Board of Wayne General Hospital feel that the addition of MRI services will lead to the development of other hospital services.

**GR Criterion 3- Availability of Alternatives**

The applicant states WGH considered installing a fixed MRI unit at the hospital but decided against that plan because it would be too costly. On the other hand, WGH states residents could continue to drive 30 to 60 miles to larger hospitals to receive diagnostic testing but the drive would be an inconvenience to patients based on their financial circumstances and transportation problems. Also, patients scheduled for MRI scans could continue to be transported by ambulance to the nearest MRI site; however, patients would still incur an expensive transportation cost. Therefore, to meet the needs of the residents of Waynesboro, the applicant submits that the best alternative would be to establish mobile MRI services.

**GR Criterion 4 - Economic Viability**

The applicant's three-year projected operating statement indicates that net revenue over a projected three year period will increase from \$295,462 to \$353,544. In addition, the statement shows that net income will increase from \$84,262 to \$103,344 over three years.

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

WGH contends that there is a need for an imaging service on the hospital campus because patients must be sent 30 to 60 miles away to other sites to receive diagnostic testing. Since WGH is located in a rural area, many patients do not have transportation or stable financial means to travel to and from a long distance diagnostic testing site. Thus, a mobile MRI service would benefit the residents in the area.

The application includes endorsement letters from 17 doctors from WGH and other clinics supporting the need for a mobile MRI service at the facility.

According to the applicant, the physicians recognize that WGH complies with all federal regulations regarding community service and supports the facility's efforts to service all patients in Service Area 6 regardless of race, creed, sex, or ability to pay.

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

The applicant affirms that the facility will provide services to all residents of Wayne County. The applicant indicates the expected payor mix by type of payor will be as follows: Medicaid 13.4%, Medicare 37.4%, Private Pay, 24.5%, and Self Pay 24.7%.

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

WGH affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

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

WGH is located in General Hospital Service Area 6 where there are currently eight fixed MRI units and two mobile units. Currently, WGH refers patients to 4 hospitals within a 30 to 60 mile radius of the hospital. Thus, the applicant does not anticipate that this project will have an adverse impact on any of the providers in the service area. Given the number of units present in the service area, staff contends 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 a WGH physician will serve as the director of the MRI service, and the operation of the MRI equipment will be completed by a full-time MRI technician employed by InSight Health Corporation.

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

The applicant affirms that WGH will contract with InSight Health Corporation to provide mobile MRI equipment and continue to provide existing ancillary and support services directly to the patients of Wayne County.

**GR Criterion 16 - Quality of Care**

WGH states that it has provided quality care to the residents of General Hospital Service Area 6 and affirms it will continue its efforts to improve health care by offering new services.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

| Cost Item   | Estimated Cost  | Percent       |
|---|-----------------|---------------|
| Construction Cost -New  | \$0             | 0.0%          |
| Construction Cost-Renovation  | \$0             | 0.0%          |
| Capital Improvements, i.e. (minor painting and repairs, refurbishing) | \$0             | 0.0%          |
| Total Fixed Equipment Cost  | \$0             | 0.0%          |
| Total Non-Fixed Equipment Cost  | \$0             | 0.0%          |
| Land Cost   | \$0             | 0.0%          |
| Site Preparation Cost   | \$10,000        | 100.0%        |
| Fees (Architectural, Consultant, etc.)                                | \$0             | 0.0%          |
| Contingency Reserve   | \$0             | 0.0%          |
| Capitalized Interest  | \$0             | 0.0%          |
| Other Cost (Specify)  | \$0             | 0.0%          |
| <b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>                             | <b>\$10,000</b> | <b>100.0%</b> |

**B. Method of Financing**

WGH will use accumulated cash reserves to finance this project. Review of the financial statements indicates that the hospital has sufficient cash reserves to finance the project.



**C. Effect on Operating Costs**

The applicant projects gross revenues of \$374,400, \$410,400, and \$448,000 the first, second, and third year of operation, respectively; and expenses of \$211,200, \$230,400, and \$250,200 for the first three years of operation. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

| Payor        | Utilization Percentage | First Year Expense |
|--------------|------------------------|--------------------|
| Medicaid     | 37.4%                  | \$ 78,989          |
| Medicare     | 13.4%                  | 28,301             |
| Other        | 49.2%                  | 103,910            |
| <b>Total</b> | 100%                   | <b>\$ 211,200</b>  |

WGH projects 12.9% percent bad debt. Medically indigent, and charity care are approximately .002% of gross patient revenues.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services are paid as outlined in the Medicaid State Plan; thus, the Division does not oppose the application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the establishment of MRI services as contained in the FY 2005 *Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*, and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by the Wayne General Hospital (WGH).

## ATTACHMENT 1

### Wayne General Hospital (WGH) Three-Year Projected Operating Statement

|                                      | Year 1                   | Year 2                   | Year 3                   |
|--------------------------------------|--------------------------|--------------------------|--------------------------|
| Average Daily Census                 |                          |                          |                          |
| Patient Days                         | 14,420                   | 14,553                   | 14,687                   |
| Outpatient Procedures                |                          |                          |                          |
| Procedures                           | 520*                     | 540*                     | 560*                     |
| Average Length of Stay               |                          |                          |                          |
| Occupancy Rate                       | 54.00                    | 54.50                    | 55.00                    |
| Charge per procedure                 | \$ 720                   | \$ 760                   | \$ 800                   |
| Net revenue per procedure            | \$ 568                   | \$ 600                   | \$ 631                   |
| Cost per procedure                   | \$ 406                   | \$ 427                   | \$ 447                   |
| Profit Margin per procedure          | \$ 162                   | \$ 173                   | \$ 185                   |
| <br>                                 |                          |                          |                          |
| Patient Revenue                      |                          |                          |                          |
| Inpatient Revenue                    |                          |                          |                          |
| Outpatient Revenue                   |                          |                          |                          |
| <b>Total Patient Revenue</b>         | <b>\$ 374,400</b>        | <b>\$ 410,400</b>        | <b>\$ 448,000</b>        |
| <br>                                 |                          |                          |                          |
| Deductions from Revenue              |                          |                          |                          |
| Contractual Adjustments              | (78,938)                 | (86,529)                 | (94,456)                 |
| Total Revenue Deductions             | <u>\$ (78,938)</u>       | <u>\$ (86,529)</u>       | <u>\$ (94,456)</u>       |
| Other Operating Revenue              |                          |                          |                          |
| <b>Net Revenue</b>                   | <b><u>\$ 295,462</u></b> | <b><u>\$ 323,871</u></b> | <b><u>\$ 353,544</u></b> |
| <br>                                 |                          |                          |                          |
| Operating Expenses                   |                          |                          |                          |
| Personnel                            | -                        | -                        | -                        |
| Laundry                              | 6,000                    | 6,200                    | 6,500                    |
| Utilities                            | 8,000                    | 8,500                    | 8,700                    |
| Mobile Service Fee                   | 187,200                  | 205,200                  | 224,000                  |
| G&A                                  | 10,000                   | 10,500                   | 11,000                   |
| <b>Total Operating Expenses</b>      | <b><u>\$ 211,200</u></b> | <b><u>\$ 230,400</u></b> | <b><u>\$ 250,200</u></b> |
| <b>Income (Loss) from Operations</b> | <b>\$ 84,262</b>         | <b>\$ 93,471</b>         | <b>\$ 103,344</b>        |

Note: Projected number of procedures in CON application were updated by WGH \*