

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
AUGUST 2006**

**CON REVIEW: FSF-NIS-0606-017
DESOTO IMAGING AND DIAGNOSTICS, LLC
ACQUISITION AND PROVISION OF DIGITAL SUBTRACTION ANGIOGRAPHY
EQUIPMENT/SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: SOUTHAVEN, MISSISSIPPI
COUNTY: DESOTO COUNTY, GENERAL HOSPITAL SERVICE AREA 2**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

DeSoto Imaging and Diagnostics, LLC is a limited liability company established June 20, 2005, for the purpose of providing out-patient diagnostic imaging services. The application contains a copy of its certification of formation and a letter of good standing signed by the Mississippi Secretary of State.

DeSoto Imaging and Diagnostics, LLC's officers are Kevin Blackwell and Jason Morris, M.D.

B. Project Description

DeSoto Imaging and Diagnostics, LLC is requesting Certificate of Need (CON) authority to lease an AXIOM Artis FA digital subtraction angiography (DSA) machine and to offer digital subtraction angiography services. The AXIOM FA is a universal floor mounted angiographic single-plan C-arm system for digital subtraction acquisition for vascular and non-vascular diagnostics and interventions. The application contains an equipment lease agreement between DeSoto Imaging and Diagnostic, LLC and Siemens Medical Solutions USA, Inc.

The applicant proposes to offer outpatient DSA services five days a week in General Hospital Service Area 2 (GHSA 2) at 7420 Guthrie Drive North, Suite 105, in Southaven, DeSoto County, Mississippi, using the above described fluoroscopic angiographic equipment. This project will be implemented through lease of equipment and building space and will not involve a capital expenditure.

The MDH Division of Health Facilities Licensure and Certification finds the site acceptable for the proposed project.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-191, subparagraphs (1)(d)(vii), Mississippi Code of 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 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 on September 5, 2006.

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

A. State Health Plan

The *FY 2006 State Health Plan* addresses specific criteria and standards which an applicant is required to meet before receiving CON authority to provide DSA services. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 – Need

The *State Health Plan* states that the applicant for DSA services shall demonstrate that proper protocols for screening, consultation, and medical specialty backup are in place before services are rendered by personnel other than those with specialized training. Specifically, the protocols shall include, but are not limited to, having prior arrangements for consultation/backup from:

- 1) A cardiologist/cardiosurgeon for procedures involving the heart;
- 2) A neurologist/neurosurgeon for procedures involving the brain; and
- 3) A vascular surgeon for interventional peripheral vascular procedures.

The applicant states that proper protocols described in the *Plan* will be in place before outpatient DSA services are rendered by personnel other than those with specialized training. The following is a list of the physicians agreeing to provide consultation and back-up services for procedures involving a cardiosurgeon, a cardiology for interventional peripheral vascular procedures, and the heart/brain and interventional radiologist:

- Jason K. Morris, MD (Interventional radiologist)*
- James W. Johnson, Jr., MD (cardiosurgeon)
- J.T. Davis, Jr., MD (cardiology and interventional peripheral vascular)
- W. Craig Clark, MD (neurologist and consultation/back-up for heart/brain procedures)
- Debashis Biswas, MD (neurologist and consultation/back-up for heart/brain procedures)

*The application contains a copy of Dr. Morris's Curriculum Vitae.

A list of procedures which the applicant proposes to perform and protocols the applicant will follow are contained in the application.

SHP Criterion 2 – Certificate of Need Approval of Equipment

The applicant is requesting Certificate of Need authority to lease an AXIOM Artis FA digital subtraction angiography machine and to provide DSA services at the proposed location.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 Revision*, 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*

The FY 2006 State Health Plan requires an applicant for DSA services to demonstrate that prior arrangements for consultation/backup for certain medical specialists will be in place before DSA services are provided. The application is in substantial compliance with the *FY 2006 State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant's long range plan is to provide high quality, accessible, affordable health care to the residents of GHSA 2. According to the applicant, the proposed service is consistent with this plan as it will provide increased access to patients in need of quality care and treatment.

GR Criterion 3 – Availability of Alternatives

DeSoto Imaging and Diagnostics, LLC considered not applying for authority to provide DSA services. This option was in conflict with their long-range plan of offering high quality, accessible, and affordable healthcare to the residents in GHSA 2.

GR Criterion 4 - Economic Viability

The applicant projects net incomes from operation to be \$71,633 the first year, \$112,066 the second year, and \$319,937 the third year after completion of this project.

- a. **Proposed Charges:** DeSoto Imaging and Diagnostics, LLC projects a charge of \$1,383 per DSA procedure the first year. This project is economically viable based upon the applicant's income projection of \$71,633, \$112,066, and \$319,937 during the first, second, and third years of operation, respectively.
- b. **Projected Levels of Utilization:** The applicant estimates that it will perform 2,250 procedures in the first year, 2,813 procedures in the second year, and 3,375 procedures in the third year. The applicant indicates that based on the growth in the population and medical community, plus only one other DSA provider in DeSoto County, the applicant anticipates reaching its projections.
- c. **Financial Feasibility Study:** There is no capital expenditure for this project; therefore, no feasibility study is required.

GR Criterion 5 - Need for the Project

- a. **Underserved Populations:** According to the applicant, all residents of General Hospital Service Area 2 (GHSA 2) and the state, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the facility. However, due to the Division of Medicaid's current policy not to reimburse independent diagnostic facilities for procedures performed on Medicaid primary patients, DeSoto Imaging and Diagnostics, LLC will not participate in the Medicaid program.
- b. **Relocation of Services:** The proposed project does not involve relocation of facility or services.
- c. **Current and Projected Utilization of Like Facilities in the Area:** The utilization data of existing digital subtraction angiography services/procedures performed in GHSA 2 is as follows:

Digital Subtraction Angiography Procedures

Hospital (GHSA 2)	Number of DSA procedures Reported in 2004	Number of DSA procedures Reported in 2005
Bolivar Medical Center	135	317
Northwest MS Regional Medical Center	188	324
Baptist Memorial Hospital DeSoto, Inc.	0	2,970
Greenwood Leflore Hospital	2,568	3,748
Delta Regional Medical Center	<u>25</u>	<u>23</u>
TOTAL	2,916	7,382

Source: Annual Survey of Hospitals and Application for Renewal of License for Calendar Years 2004 and 2005.

DeSoto Imaging and Diagnostics, LLC estimates that it will perform 2,250 procedures in the first year, 2,813 in the second year and 3,375 in the third year of operation.

- d. **Probable Effect on Existing Facilities in the Area:** The applicant does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto (BMH-DeSoto) or any other DSA provider in the service area. The applicant believes that with the addition of 140 beds, nearly doubling the size of BMH-DeSoto, it would be very unlikely for DeSoto Imaging and Diagnostics, LLC to have an adverse effect on Baptist Memorial Hospital-DeSoto's utilization.

The applicant states that the population growth of DeSoto County continues at a rapid pace, with more than seven families moving into the county each day. Slightly more than half of the population growth in the entire eight-county Memphis metropolitan area between 2000 and 2004 occurred in DeSoto County, according to the U.S. Census

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Bureau. This continuing growth has made Southaven Mississippi's seventh largest city and Olive Branch the ninth. According to the applicant, experts contend the continuing growth will push Southaven to the fifth largest city in just a few years.

According to the applicant, BMH-DeSoto has only one DSA lab, and the new 140-bed tower is not scheduled for completion until at least November 2006. The applicant contends that BMH-DeSoto's current lab, that treats both inpatients and outpatients, is fully used and in many cases the hospital must delay tests for its patients. The backlog causes unnecessary delays in performing procedures on patients. According to the applicant, the hospital will not immediately expand interventional radiology services, further contributing to additional delays in patient treatment and will potentially increase adverse outcome.

- e. **Community Reaction:** The application contains numerous letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved:** The applicant asserts that all residents of GHSA 2 and the state, especially those in DeSoto County, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the facility. The applicant asserts that because it is an independent diagnostic treatment facility, it is not allowed to participate in the Medicaid program and thus will not bill Medicaid. However, the applicant will provide services to Medicaid patients through its indigent care policy.
- b. **Performance in Meeting Federal Obligation:** According to the applicant, the facility has no existing obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be served by Applicant:** According to the applicant, Baptist Memorial Hospital-DeSoto is the only other provider in the DeSoto County service area. BMH-DeSoto offers inpatient and outpatient services in its one lab. The applicant proposes to offer freestanding outpatient DSA services. DeSoto Imaging and Diagnostics believes that the uniqueness of its plan is that patients will be able to receive services in a facility that is truly geared for outpatient treatment.
- d. **Range of Access:** As previously mentioned, the applicant asserts that all residents of GHSA 2 and the state, especially those in DeSoto County, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the facility.

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 Department of Health within 15 business days of request.

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GR Criterion 8 - Relationship to Existing Health Care System

There are five other providers of digital subtraction angiography in GHSA 2; Baptist Memorial Hospital-DeSoto is the only provider of DSA in DeSoto County. DeSoto Imaging and Diagnostics, LLC will be a new provider of outpatient DSA in GHSA 2 and DeSoto County.

The applicant believes that the proposal is most appropriate to meet the current community needs as well as its future needs without having an adverse impact on BMH-Desoto.

The application received one letter of opposition for the proposed project from Baptist Memorial Hospital-DeSoto, Inc., Southaven.

GR Criterion 9 - Availability of Resources

According to the applicant, the project involves the addition of five (5) full-time equivalent personnel at an estimated annual cost of \$423,870. The applicant asserts that with Dr. Morris's services as an interventional radiologist and DeSoto Imaging's consultation and medical specialty backup services, DeSoto Imaging has appropriate medical staff to provide DSA services. In the event an additional interventional radiologist is needed, DeSoto Imaging would do a nationwide search for an appropriately credentialed physician.

According to DeSoto Imaging and Diagnostics, it will recruit staff from the local market area through newspaper advertising, web site postings, and by word-of-mouth advertising.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant, the proposal will have no adverse effect on ancillary or support services. DeSoto Imaging and Diagnostics indicates that the proposal is a freestanding facility.

GR Criterion 12 – Access by Health Professional Schools

The applicant states that it will offer its proposed services for health professional training programs.

GR Criterion 14 – Construction Projects

This project will not involve construction.

GR Criterion 16 - Quality of Care

DeSoto Imaging and Diagnostics, LLC will be a new provider of DSA. The applicant asserts that the impact on the overall quality of care will be attributed to the ease of access, overall cost saving, high quality patient-centered services, a more relaxed environment, and increased patient and referring physician satisfaction with DeSoto Imaging and Diagnostics, LLC.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

This project does not involve a capital expenditure.

B. Method of Financing

This project does not involve a capital expenditure. The applicant indicates that members of DeSoto Imaging will supply the initial operating capital for the proposed project. Operating funds of DeSoto Imaging and Diagnostics, LLC will be used to lease the DSA equipment.

C. Effect on Operating Cost

DeSoto Imaging and Diagnostics, LLC projects the following expenses, revenues, and utilization for the first three years of operation:

**DeSoto Imaging and Diagnostics, LLC
 Three-Year Operating Statement**

	Year 1	Year 2	Year 3
<u>Revenues</u>			
Gross Patient Rev.	\$ 3,111,750	\$ 4,083,750	\$ 5,146,875
Charity Care	\$ (93,353)	\$ (122,513)	\$ (154,406)
Deductions	\$ (1,747,248)	\$ (2,293,026)	\$ (2,889,971)
Net Pt. Revenue	\$ 1,271,149	\$ 1,668,211	\$ 2,102,498
<u>Expenses</u>			
Salaries	\$ 389,720	\$ 470,412	\$ 526,274
Benefits	\$ 34,150	\$ 35,174	\$ 36,229
Supplies	\$ 510,000	\$ 667,501	\$ 837,000
Lease	\$ 122,046	\$ 239,458	\$ 239,458
Other	\$ 143,600	\$ 143,600	\$ 143,600
Total Expenses	\$ 1,199,516	\$ 1,556,145	\$ 1,782,561
Net Income	\$ 71,633	\$ 112,066	\$ 319,937
<u>Utilization</u>			
Procedures (#)	2,250	2,813	3,375
Cost/Per Procedure	\$ 533	\$ 553	\$ 528
Charge/per Procedure	\$ 1,383	\$ 1,452	\$ 1,525

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	<u>Utilization Percentage</u>	<u>First Year Expenses</u>
Medicaid	-0-	\$-0-
Medicare	45	\$539,782
Other	<u>55</u>	<u>\$659,734</u>
TOTAL	<u>100</u>	<u>\$1,199,516</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of digital subtraction angiography services as contained in the *FY 2006 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised 2000*; and duly 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 DeSoto Imaging and Diagnostics, LLC for the acquisition and provision of digital subtraction angiography equipment/services.

