

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
SEPTMEBER 2007**

**CON REVIEW: HG-NIS-0607-017
TYLER HOLMES MEMORIAL HOSPITAL
OFFERING OF A HOSPITAL BASED MAGNETIC
RESONANCE IMAGING (MRI) SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: WINONA, MONTGOMERY COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Tyler Holmes Memorial Hospital (THMH) is a short-term acute care hospital, owned by Montgomery County. The hospital is licensed to operate 25 acute care beds. The hospital is governed by a seven-member Board of Trustees.

Tyler Holmes Memorial Hospital's occupancy rates, average lengths of stay (ALOS) and Medicaid utilization rates for the medical surgical beds for the three most recent fiscal years are as follows:

**Tyler Holmes Memorial Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2003	19.71	3.83	15.17
2004	19.20	3.43	17.29
2005	33.93	3.64	11.20

Source: Division of Health Facilities Licensure and Certification, MSDH

B. Project Description

Tyler Holmes Memorial Hospital requests Certificate of Need (CON) authority to offer hospital based magnetic resonance imaging (MRI) services six hours per week or up to two one-half days per week. The applicant proposes to provide MRI services through a contractual agreement for provision of equipment and management with Scott Medical Imaging, LLC (SMI), Jackson, Mississippi. As a mobile MRI service provider, Scott Medical Imaging currently is the provider of services two one-half days per week at the proposed site. Under the agreement, SMI will surrender authorization to provide MRI services and become an equipment provider only. The proposed project will allow THMH to become the provider of

services and to bill for inpatient and outpatient MRI service to the proper insurance companies as well as Medicaid and Medicare. The number of MRI procedures performed at Tyler Holmes Memorial Hospital (by SMI) for FY 2005 was 54. The hospital will provide all consumable products including contrast medium and films, the electrical power and location needed to perform the MRI procedures. The applicant asserts that the Scott Medical Imaging, LLC will perform the MRI procedures and will be paid a set fee for each procedure including contrast and non-contrast studies for the proposed project. The application contains a copy of the service agreement between THMH and Scott Medical Imaging, LLC for the proposed project.

Tyler Holmes Memorial Hospital indicates that no capital expenditure is associated with this project. Scott Medical Imaging will continue to provide the MRI services to THMH. Radiology, laboratory, and emergency services are available 24/7 at THMH.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d) (xii) and (f) 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 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 October 2, 2007.

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

A. State Health Plan (SHP)

The *FY 2007 State Health Plan* addresses policy statements and service specific criteria and standards which an applicant is required to meet before receiving CON authority to provide MRI services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the offering of hospital based magnetic resonance imaging services.

SHP Criterion 1 - Need

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 1,700 procedures per year and the procedures estimation

methodology shall be used to project the annual patient service volume for the applicant facility.

Tyler Holmes Memorial Hospital proposes to offer hospital based MRI services six hours per week or up to two one-half days per week through an existing MRI equipment provider. Since THMH is proposing to provide services through an existing provider, use of the procedure estimation methodology is not required. The *Plan* provides that: "If the MRI in question is presently utilized by other providers of services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections." The MRI system is owned and operated by Scott Medical Imaging, LLC. The MRI services will be shared between THMH and other health care providers on Scott Medical Imaging's mobile MRI services route. Tyler Holmes Memorial Hospital is currently one of SMI's mobile sites. SMI proposes to use a 1.5 Tesla Marconi Vista Polaris mobile unit at THMH.

According to the applicant, the following table gives the location and number of MRI procedures performed in 2006 by Scott Medical Imaging, LLC, (mobile MRI vendor):

**Location and Number of MRI Procedures Performed by SMI
 with the Proposed Unit in 2006**

Facility	County	Number of MRI Procedures
Tri-Lakes Hosp, Batesville	Panola	390
Tyler Holmes Hospital, Winona	Montgomery	210
Ridgeland Diagnostic Center, Ridgeland	Madison	364
South Sunflower County Hospital, Indianola	Sunflower	430
Sharkey Issaquena Hospital, Rolling Fork	Sharkey	175
Preferred Imaging, Batesville	Panola	803
Yalobusha General Hospital, Water Valley	Yalobusha	360
Total MRI Procedures		2,732

Tyler Holmes Memorial Hospital states that the need for the offering of the hospital based MRI services is justified because currently, MRI services are targeted for outpatients; but with the proposed project, the hospital can offer these services to inpatients as well. In addition, THMH would generate additional revenue as a result of this project.

The applicant makes the following projections of MRI procedures to be performed

during the first three years of operation:

Projected MRI Procedures

Year 1	Year 2	Year 3
277	291	303

Since 2006 utilization for the proposed unit is 2,732 and exceeds the 1,700 minimum procedures required.

According to the *FY 2007 State Health Plan*, there were 11 providers of MRI services operating at 13 locations in General Hospital Service Area 2 wherein Tyler Holmes Memorial Hospital is located, (See Attachment 1). As reported in the *Plan*, the 13 locations (8.8 FTE units) performed a total of 17,825 procedures in 2004 for an average of 2,026 procedures per FTE unit. In 2005, the 13 locations (9.2 FTE units) performed a total of 19,376 procedures, or an average of 2,106 procedures per FTE unit.

This project was submitted in compliance with *State Health Plan Policy Statement 1*, which requires that (a) an entity proposing to acquire or otherwise control MRI equipment must obtain a CON to do so...; and (b) an entity proposing to offer MRI services must obtain a CON before providing such services. According to Tyler Holmes Memorial Hospital the proposed project will allow the hospital the ability to become the authorized service provider instead of SMI and bill for inpatient and outpatient MRI services, which will enhance delivery of MRI services to Medicaid, Medicare, and insurance patients.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

The applicant indicates that the following services are available at Tyler Holmes Memorial Hospital such as CT, ultrasound, and diagnostic radiology.

SHP Criterion 3 - Accessibility

Tyler Holmes Memorial Hospital provided documentation which indicates that currently the hospital complies and will continue to comply with this criterion.

SHP Criterion 4 - Staffing

According to the applicant, the MRI services will be provided by an available full-time board eligible radiologist (director) and a MRI technologist-radiographer.

SHP Criterion 5 – Research Staffing

According to the applicant, this MRI will not be used for research purposes.

SHP Criterion 6 - Data Requirement

The applicant confirms that it will record and maintain the requested information and make it available to the Mississippi State Department of Health.

SHP Criterion 7 - CON Approval

Tyler Holmes Memorial Hospital is in compliance with this criterion.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, Revised November 2006, 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

This application is in substantial compliance with all the criteria and standards for the offering of MRI services, as contained in the *Plan*.

GR Criterion 2 - Long Range Plan

According to the applicant, proposed project is consistent with the hospital's long range plan. The proposed project would provide additional revenues for the hospital and much needed service to the residents of the service area.

GR Criterion 3 - Availability of Alternatives

According to the applicant, the current billing process for MRI service procedures could continue but would not increase revenue of the hospital. Tyler Holmes Memorial Hospital asserts that the increased revenue would help improve the financial outlook of the hospital. The MRI service is currently being provided by Scott Medical Imaging. Again, transferring service authority to Tyler Holmes would provide increased revenue for the facility and the hospital would be in control of the billing process. Patients can speak with someone within the hospital about a bill versus correspondence by mail with someone in another county.

GR Criterion 4 - Economic Viability

Based on the applicant's three-year projections, this project will receive a net income of \$147,314; \$171,065; and \$196,337 for the first, second, and third year of operation, respectively.

- a. **Proposed Charge:** The applicant projects charges of \$2,000 per MRI procedure for the first year, \$2,100 for year two and \$2,205 for year three of operation for the proposed project. The applicant projects cost of \$575 per MRI procedure for the first three years of operation for the proposed project, respectively.
- b. **Projected Levels of Utilization:** Tyler Holmes Memorial Hospital makes the following projections of MRI procedures to be performed during the first three years of operation: 277; 291 and 303, respectively.
- c. **Project's Financial Feasibility Study:** There is no capital expenditure for this project; therefore, a feasibility study is not required since the capital expenditure does not exceed \$2,000,000.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant asserts that offering MRI services in the area provides patients with health services that otherwise would require travel to other locations, at least 30 miles away.
- b. **Relocation of Services:** This application is for the offering of hospital based MRI services through a contractual agreement with Scott Medical Imaging, LLC (SMI), Jackson, Mississippi. According to Tyler Holmes Memorial Hospital, by obtaining a Certificate of Need for the proposed project, billing for MRI services will be generated by the hospital, making the process easier for patients to have their billing questions answered by THMH.
- c. **Probable Effect on Existing Facilities in the Area:** The applicant believes that the effect of the proposed project on existing facilities in the area that provide similar services would be minimal since the mobile MRI services are already in existence on site at THMH through Scott Medical Imaging's mobile MRI system (contractual agreement).

As previously mentioned, the proposed project will allow THMH to bill for inpatient and outpatient MRI service to the proper insurance companies as well as Medicaid and Medicare.

- d. **Community Reaction:** The application contains twelve letters of support from area physicians, Montgomery County Board of Supervisors, City of

Winona, businesses and area residents.

The application contains the following summary of MRI/MRA examinations for THMH active staff physicians:

Doctor	Year – 2006	Year – 2007
Costilow	12	NA
Gutti	78	42
Middleton	40	27
Rushing	96	64
Ware	2	2
Total	228	135

The Department received no letters of opposition concerning the proposed project.

GR Criterion 6 - Access to the Facility or Service

According to the applicant, all patients have access to services provided by THMH. Services are available to all patients regardless of ability to pay.

The following table shows the projected estimated gross patient revenues of health care provided to charity/medically indigent patients for years one and two for the proposed project:

Projected Year	Total Dollar Amount of Gross Patient Revenue
1	\$6,000 (1%)
2	\$6,300 (1%)

GR Criterion 7 - Information Requirement

The applicant states that it will record and maintain the requested information required by this criterion 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

Tyler Holmes Memorial Hospital is located in General Hospital Service Area 2. According to the **FY 2007 State Health Plan**, in 2005, GHSA 2 had a total of 13 MRI units (mobile and fixed) serving 11 facilities, for an average of 1,490 procedures per unit. The project is not expected to have an adverse effect on the existing health care system.

The Department received no letters of opposition concerning the proposed project.

Also, services are already being provided at the proposed location by a mobile MRI provider.

Staff concludes that this project should have no adverse affect on existing providers in GHSA 2.

GR Criterion 9 - Availability of Resources

The applicant states that the staff is currently available and no additional personnel will be needed for the proposed project.

GR Criterion 16 - Quality of Care

Tyler Holmes Memorial Hospital is in compliance with the **Minimum Standards for the Operation of Mississippi Hospitals**, according to the Division of Health Facilities Licensure and Certification, MSDH.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

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

B. Method of Financing

This project requires no financing.

C. Effect on Operating Cost

Tyler Holmes Memorial Hospital projects the following expenses, revenues, and utilization for the first three years of operation:

Tyler Holmes Memorial Hospital Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$48,000	\$54,600	\$ 61,740
Outpatient	506,000	556,500	606,375
Total Gross Patient Revenue	<u>\$554,000</u>	<u>\$ 611,100</u>	<u>\$ 668,115</u>
Charity Care	(\$6,000)	(\$6,300)	(\$6,615)
Deductions	(241,411)	(266,410)	(290,938)
Total Deductions	<u>(\$247,411)</u>	<u>(\$272,210)</u>	<u>(\$297,553)</u>
Net Patient Revenue	\$306,589	\$338,390	\$370,562
Other Operating Revenue	-0-	-0-	-0-
Total Operating Revenue	<u>\$306,589</u>	<u>\$338,390</u>	<u>\$370,562</u>
Expenses			
Supplies	(27,700)	(29,100)	(30,300)
Services	(124,650)	(130,950)	(136,350)
Other	(6,925)	(7,275)	(7,575)
Total Expenses	<u>(\$159,275)</u>	<u>(\$167,325)</u>	<u>(174,225)</u>
Net Income (Loss)	<u>\$147,314</u>	<u>\$171,065</u>	<u>\$196,337</u>
Utilization			
Inpatient Day	24	26	28
Outpatient Day	253	265	275
Procedures	277	291	303
Charge Per Procedure	\$2,000	\$2,100	\$2,205
Cost Per Procedure	\$575	\$575	\$575
Charge Per Outpatient Day	\$2,000	\$2,100	\$2,205
Charge Per Inpatient Day	\$2,000	\$2,000	\$2,000
Cost Per Outpatient Day	\$630	\$631	\$634
Cost Per Inpatient Day	\$6,636	\$6,436	\$6,222

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Expenses
Medicaid	11	\$ 17,520
Medicare	54	86,009
Other	35	<u>55,746</u>
Total	<u>100</u>	<u>\$ 159,275</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid states that effective October 1, 2005, it changed the methodology by which the Division reimburses inpatient hospital services so that cost incurred subsequent to that date no longer affects per diem rates; and that any portion of the cost which may relate to outpatient service will be paid as outlined in the *Medicaid State Plan*. The Division takes no position on the proposed project.

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 2007 State Health Plan**; the **Certificate of Need Review Manual**, revised November 2006; and all adopted rules, procedures and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Tyler Holmes Memorial Hospital for the offering of a hospital base magnetic resonance imaging services.

Attachment 1
 General Hospital Service Area 2
 Location and Number of MRI Procedures

Facility	Location	Type/No. of Equipment	Number of Procedures FY 2004	Number of Procedures FY 2005	Days of Operation	FTE Units
Baptist Memorial Hospital-DeSoto	Southaven	F(2)	4,973	5,268	M-Su	2.0
Bolivar Medical Center	Cleveland	F	2,602	1,719	M-F	1.0
Carvel Imaging	Olive Branch	F	2,933	3,326	M-F	1.0
Delta Regional Medical Center	Greenville	F(2)	1,544	2,294	M-F;T/Th	1.4
Delta Regional Medical Center-West Campus	Greenville	M	674	282	M-F	1.0
Greenwood Leflore Hospital	Greenwood	F	3,195	3,555	M-F	1.0
Northwest MS Regional Medical Center	Clarksdale	M	1,233	1,781	M-F	1.0
South Sunflower County Hospital	Indianola	M	388	367	W	0.2
SMI-Tyler Holmes Memorial Hospital*	Winona	M	CON	54	M	0.2
Southaven Diagnostic Imaging, LLC	Southaven	M	CON	390	W	0.2
University Hospital Clinics	Lexington	M	283	340	F	0.2
Total			17,825	19,376	-	
Full Time Equivalent Units			8.8	9.2	-	9.2
Average Number of Procedures/per FTE Unit			2,026	2,106	-	

Source: Applications for Renewal of Hospital License for Calendar Years 2005 and 2006; Fiscal Year 2004 and 2005 Annual Hospital Reports: CY 2005 MRI Utilization Survey
 F/M – Fixed/Mobile MRI unit
 *Scott Medical Imaging