

**DIVISION OF HEALTH PLANNING AND  
RESOURCE DEVELOPMENT  
MAY 2008**

**CON REVIEW: HG-NIS-0308-011  
KING'S DAUGHTERS HOSPITAL OF YAZOO COUNTY, INC D/B/A  
KING'S DAUGHTERS HOSPITAL OF YAZOO CITY  
ESTABLISHMENT OF MOBILE MRI SERVICES  
CAPITAL EXPENDITURE: \$500  
LOCATION: YAZOO CITY, YAZOO COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

King's Daughters Hospital of Yazoo County, Inc. d/b/a King's Daughters Hospital of Yazoo City (hereinafter referred to as "King's Daughters") is a non-profit, 35-bed<sup>1</sup> general acute care hospital. King's Daughters is governed by a nine-member Board of Trustees. King's Daughters is licensed by the Mississippi State Department of Health. King's Daughters is a Medicare certified facility (Critical Access Hospital) and is an American College of Radiology certified mammography site. King's Daughters participates in Blue Cross, Medicare and Medicaid. King's Daughters is applying for JCAHO accreditation in 2008.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for King's Daughters are as follows for the years 2004 through 2006:

**King's Daughters Hospital of Yazoo City  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2004	43.87	3.87	14.87
2005	41.67	3.89	11.63
2006	45.49	3.89	13.19

**Source:** Division of Health Facilities Licensure and Certification, Mississippi State Department of Health (MSDH).

**B. Project Description**

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<sup>1</sup> King's Daughters increased its licensed bed capacity from 25 in 2005 to 35 in 2006 according to Division of Health Facilities Licensure and Certification, *2006 Report on Hospitals* (July 2007).

King's Daughters requests Certificate of Need authority to establish MRI services at its hospital location of 823 Grand Avenue, Yazoo City, Mississippi, located in General Hospital Service Area 3 (GHSA 3). King's Daughters proposes to offer MRI services for one-half of one day a week by joining an existing mobile MRI route operated by Preferred Imaging, L.L.C (hereinafter referred to as "Preferred")<sup>2</sup>. The revised route will operate six days a week with seven MRI service locations in GHSA's 1, 2, & 3. Preferred is operating a Philips 1.5 Intera MRI Scanner installed in a mobile unit. According to the applicant, MRI is the only major diagnostic discipline or service that is not currently offered at King's Daughters. The Hospital Board has expressed a need for MRI services at King's Daughters.

The proposed project will not require any construction or renovation costs to establish the MRI services. The \$500 capital expenditure stated in the application is for other fees associated with the proposed project.

The Division of Health Facilities Licensure and Certification has approved the site of this project.

Once obtaining CON approval, King's Daughters intends to start providing MRI services as soon as possible.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the offering of MRI services in accordance with Section 41-7-191, subparagraph 1(d)(xii) Mississippi Code 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 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 June 5, 2008.

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

### A. State Health Plan (SHP)

The *FY 2007 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving Certificate of Need (CON) authority for offering MRI services. This application is in substantial compliance with applicable criteria and standards.

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

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<sup>2</sup> Preferred Imaging, L.L.C. also does business under the name of P & L Contracting, Inc. collectively they will be referred to as "Preferred".

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 1,700 procedures per year using the procedures estimation methodology presented in the Plan. The Plan provides, however, that: "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 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 1,700 procedures annually.

The proposed route has performed the following procedures for FY 2004, 2005, 2006, & 2007 for the actual and proposed route:

Proposed Route

Facility/Location	County	2004 Procedures	FY 2005 Procedures	FY 2006 Procedures*	FY 2007 Procedures*	Projected Procedures Year 1
Preferred Imaging, LLC, Batesville	Panola	723	1,023	823	715	823
Preferred Imaging, LLC-North Sunflower Medical Center, Ruleville	Sunflower	CON Issued 3/29/2007	N/A	N/A	108	157
Preferred Imaging, LLC-Quitman County Hospital, Marks	Quitman	CON Issued 3/29/2007	N/A	N/A	43	50
South Sunflower County Hospital, Indianola	Sunflower	388	367	452	435	634
Yalobusha General Hospital-Water Valley	Yalobusha	416	463	403	262	437
Sharkey-Issaquena Community Hospital-Rolling Fork	Sharkey	134	161	173	92	167
King's Daughters Hospital-Yazoo County, Yazoo City	Yazoo	Applicant	N/A	N/A	N/A	180
<b>Total</b>		<b>1661</b>	<b>2014</b>	<b>1851</b>	<b>1655</b>	<b>2448</b>

\*Numbers for FY 2006 and FY 2007 are more recent actual MRI procedures reported to the Department since publication of the *FY 2007 State Health Plan*.

According to the applicant, on an annual basis, the equipment can be expected to

perform 2,448 MRI procedures operating 6 days a week; which is well in excess of the 1,700 procedures required in the *State Health Plan* for additional MRI equipment. Preferred proposes to provide MRI services to King's Daughters one-half day a week. The vendor, Preferred, proposes to provide service for two hospitals each day. King's Daughters represents that the mobile route operated by Preferred provides that the morning hours of 7:30 a.m. through 12:30 p.m. will be made available to the hospital guaranteeing at least six procedures within the morning hours. The afternoon hours of 2:00 p.m. through 5:30 p.m. will be available for the hospital that can guarantee at least four procedures during the afternoon hours of operation.

The proposed route appears to be reasonable with the addition of one-half a day for service at King's Daughters considering that the route has been operating below 40 hours a week (36 hours a week in FY 2006 and 31 hours a week in FY 2007). In fact, the proposed route is estimated to have less than 40 hours a week operational time of the mobile MRI.

Route Analysis

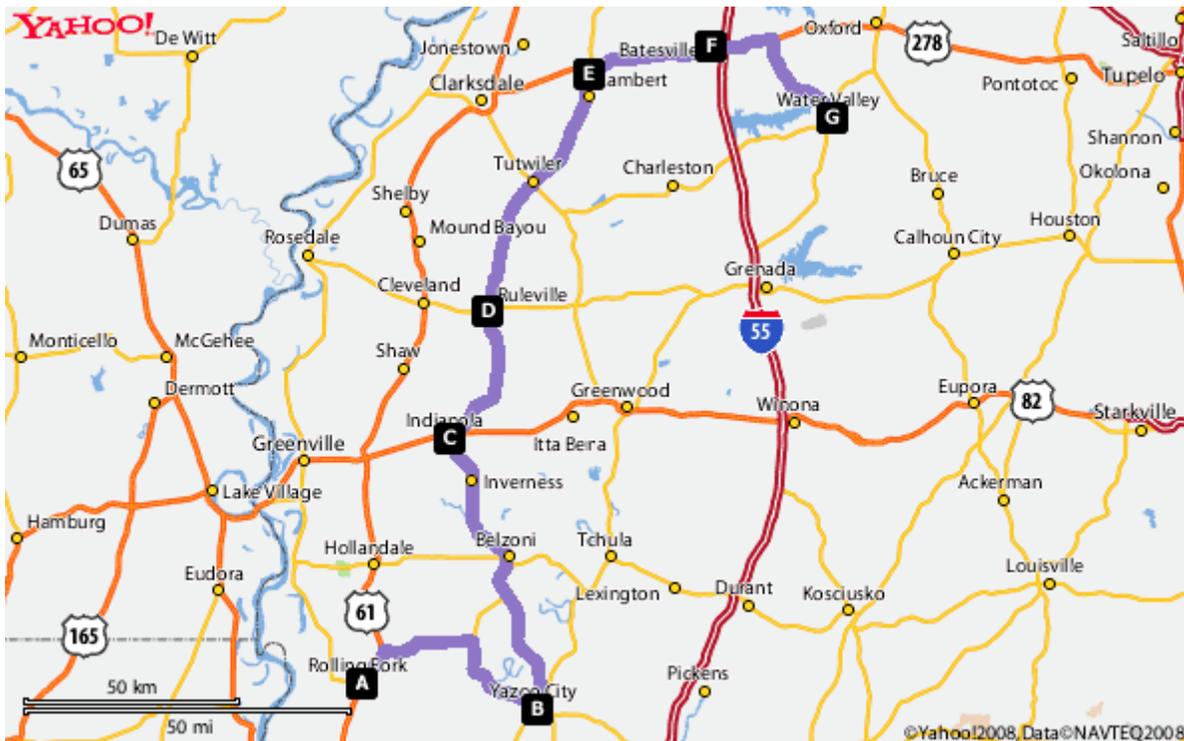
Facility/Location	FY 2005 Days of Operation*	FY 2006 Days and Hours of Operation	FY 2007 Days and Hours of Operation	Projected Days and Hours of Operation
Preferred Imaging, LLC, Batesville	M, Tu, Th	M, Tu, Th 16 hrs.	Tu, Th 12 hrs.	Tu, Th 12 hrs.
Preferred Imaging, LLC- North Sunflower Medical Center, Ruleville	N/A	N/A (proposed ½ day – 4 hrs.)	Tu 3 hrs.	Tu 3 hrs.
Preferred Imaging, LLC- Quitman County Hospital, Marks	N/A	N/A (proposed ½ day – 4 hrs.)	Th 3 hrs.	Th 3 hrs.
South Sunflower County Hospital, Indianola	W	W 4 hrs.	W 5 hrs.	W 5 hrs.
Yalobusha General Hospital- Water Valley	W	W 4 hrs.	M 5 hrs.	M 5 hrs.
Sharkey- Issaquena Community Hospital-Rolling Fork	Tu	Tu 4 hrs.	W 3 hrs.	W 3 hrs.
King's Daughters Hospital-Yazoo County, Yazoo City	N/A	N/A	N/A	F 5 hrs.
<b>Total Days &amp;</b>	<b>4 days</b>	<b>5 days</b>	<b>4 days</b>	<b>5 days</b>

Hours (per week)		<b>36 hrs. (including proposed)</b>	<b>31 hrs.</b>	<b>33 hrs.</b>
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\* For FY 2005 – MSDH only surveyed MRI providers for days of operation; therefore actual hours of operation for each day and location are not available for FY 2005.

Factoring in existing highways and considering that the existing route includes Sharkey-Issaquena Community Hospital, in Rolling Fork, that is approximately 37 miles from the proposed location at King's Daughters in Yazoo City, it is reasonable for the King's Daughters to be added to this route. While the distance of the entire route is just less than 200 miles, the existing route and the new proposed route has no location more than 50 miles from another location on the route or approximately 1 hour driving time under normal highway conditions. This route as illustrated could be configured to start at Sharkey-Issaquena Community Hospital in Rolling Fork (point A) and proceed to the applicant, King's Daughters in Yazoo City (point B) and ultimately end the week at Yalobusha General Hospital in Water Valley (point G).

Map of Proposed MRI Mobile Route



Source: Yahoo Maps

The application contained four affidavits from physicians each projecting an approximate number of scans that could be referred per year and a letter from Dr. Charles Greeson, radiologist at King's Daughters supporting the proposed project. King's Daughters projects that it will perform 180, 300, and 300 MRI procedures during the first, second, and third year of operation at King's Daughters, respectively. Affidavits indicate a total of 274 scans will be referred on an annual basis in line with the projections of King's Daughters.

King's Daughters' service area would be inclusive of Yazoo County which has a population projection of 29,065 persons. Using Mississippi MRI use rate for 2005 of 78 scans per 1,000 population<sup>3</sup>, then the projected utilization for King's Daughters' service area would be approximately 2,267 annual scans. This number would suggest that the projections of King's Daughters for its first three years of operation are conservative and obtainable.

Based on the projected procedures of 2,448, the applicant meets the 1,700 minimum required by this criterion. Further considering for FY 2007 reported procedures for the route of 1,655 and the proposed 180 procedures during the first year at King's Daughters, the route conservatively could be projected to have 1,835 during the first year in operation for the new route. Therefore, it is reasonable to conclude that King's Daughters has proven compliance with the 1,700 annual scans requirement, considering that the most conservative estimate of the number of procedures is 135 more procedures than the 1,700 minimum required or approximately 8 percent above the minimum requirement. Considering the projection of King's Daughters of the total route, the efficiency of the route would improve by 793 scans or 44 percent over the minimum requirement. This is a case where the unused capacity, both in number of scans on an annual basis and days and hours of weekly operation, of the mobile MRI suggests that not only should this location be approved, but Preferred as the operator of the equipment should seek additional locations to maximize utilization of the mobile MRI unit.

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

King's Daughters certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available in the area at the time MRI services begin. These modalities include, without limitation, computer tomography (full body), ultrasound, angiography, nuclear medicine, and conventional radiology.

### **SHP Criterion 3 – Accessibility**

King's Daughters certifies that within the scope of its available services, it will not have policies or procedures which would exclude patients because of race, color,

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<sup>3</sup> Source: *Mississippi State Health Plan, Review and Update*, American Health Planning Association, November 2007.

age, sex, ethnicity, or handicap.

#### **SHP Criterion 4 - Staffing**

King's Daughters certifies that a board-certified radiologist will be on site during hours of operation to provide interpretation of clinical images. The applicant further certifies that a trained MRI technologist will be available during hours of operation to compute MRI imaging methods and any other required staff.

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

King's Daughters affirms that the facility does not plan to conduct experimental procedures; however, should the facility decide to do so in the future, the facility will comply with the procedures set forth in this criterion.

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

King's Daughters affirms that it will record and maintain, at a minimum, the information required in this criterion and will make required information available to the Mississippi State Department of Health within 15 days of request.

#### **SHP Criterion 7 – CON Approval**

Preferred, the mobile MRI equipment vendor, has received approval from the Mississippi State Department of Health for the acquisition and control of a Philips 1.5 Intera MRI unit by a declaratory ruling dated August 23, 2006.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, February 23, 2008 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**

As discussed above, King's Daughters in its application has addressed the specific criteria and standards in the *State Health Plan* applicable to offering of MRI services. The proposed project is in substantial compliance with the criteria and standards for the offering of MRI services as contained in the *State Health Plan*.

#### **GR Criterion 2- Long Range Plan**

King's Daughters states that its hospital mission is "to provide high quality general acute care services in a cost-effective manner to the citizens of Yazoo City and the surrounding areas." As stated before, King's Daughters presently provides other major diagnostic services, except for MRI services, and further, there is no other provider of MRI services in Yazoo City or Yazoo County. In his letter of support,

Dr. Greeson, radiologist at King's Daughters, states that while CT and Ultrasound can provide useful information in patient care, "in many cases there is no substitute for the information afforded by MRI." He also suggests that approval of MRI services at King's Daughters will increase patient care through "quicker and more accurate diagnosis", and increase access mainly due to decreasing inconvenience, travel and expense to the patients of King's Daughters.

### **GR Criterion 3- Availability of Alternatives**

According to King's Daughters, two alternatives were considered that are as follows:

**Maintain the Status Quo:** Currently, patients who require MRI services have to travel outside Yazoo County to receive such services. King's Daughters feels that the access outside its service area results in negative impact on "at-risk groups (e.g. poor and elderly)" due mainly to the costs or access to the necessary transportation. This alternative does not fit the mission of King's Daughters "to provide high quality general acute care services in a cost-effective manner to the citizens of Yazoo City and the surrounding areas". King's Daughters justifiably rejected this alternative.

**Use a fixed MRI unit on site:** King's Daughters considered the alternative to use a fixed unit at its hospital. The acquisition of a fixed unit, whether by purchase or lease, would require a considerable investment of resources on behalf of King's Daughters. King's Daughters rejected this alternative because the cost could not be justified based on its volume projections. King's Daughters rejection of this alternative is reasonable in light of its projections of 180 to 300 MRI procedures per year at its location. These numbers would most likely not even cover a significant portion of the annual costs associated with operation of a fixed MRI at its location. Additionally, these projected number of MRI procedures would not justify a fixed MRI unit under the *State Health Plan*.

According to the applicant, the proposed project would not only be a reduction in transportation costs to both patients and payers, but also, would enhance patient care by earlier treatment intervention as a result of the more timely MRI scans and earlier diagnosis of disease or condition.

### **GR Criterion 4- Economic Viability**

In the application, King's Daughters provided a copy of the executed contract for the vendor to provide mobile MRI equipment and services. This contract has level billing to King's Daughters of \$325 per procedure performed. Since this is level billing with no minimum, risks of low revenues due to low number of MRI procedures would be shared between King's Daughters and the vendor, Preferred.

King's Daughters projected a net operating income of \$78,000 the first year, \$79,000 the second year, and \$82,000 the third year. These have the projections of \$2,150, \$2,363, and \$2,603 as a charge per procedure in the first, second, and third years, respectively against costs of \$428, \$443, and \$457, for the respective years. King's Daughters states that its proposed charges are at or below similar charges in

the state. Based on King's Daughters projections it appears that the project is economically viable, especially in light of the large difference in the projected revenue and expenses, and the fact that a lower number of procedures will have little impact because most costs are incremental and not of a fixed nature.

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

The proposed project will bring MRI services to King's Daughters completing its line of major diagnostic services for the citizens of Yazoo County. Presently, there exists no MRI service provider in Yazoo County requiring the patients in King's Daughters service area to have to travel to surrounding communities for MRI service. It appears reasonable that development of MRI service in Yazoo County will result in better access to MRI services for those residents; enhancing patient outcome through better and more timely diagnosis of illness and disease. While the Department's data is lacking and the Department does not have patient origin data to adequately count the number of MRI procedures performed on residents of Yazoo County, there is some basis to conclude that MRI services are underutilized by the residents of Yazoo County based on the projections of King's Daughters versus the states utilization average of 78 scans per 1,000 population. Dr. Greeson adequately states that MRI scans provides a useful image for diagnosis that cannot be substituted using other imaging scanners, such as CT and Ultrasound. It could be expected that once the MRI service is offered for the first time in Yazoo County, that the utilization by the residents will increase and eventually utilization will approach the statewide utilization rate.

King's Daughters has adequately demonstrated a need for the service.

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

King's Daughters affirms that services will be provided to the residents in the proposed service area without regard to race, ethnicity, sex, age, religion, or handicap. The applicant further affirms that MRI services will be made accessible to Medicare, Medicaid, and medically underserved patients.

#### **GR Criterion 7 – Information Requirement**

King's Daughters affirms that it will record and maintain, at a minimum, the following information regarding charity care, care to the medically indigent, and Medicaid populations and will make such information available to the Mississippi State Department of Health within 15 days of a request from the Department as noted in this criterion.

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

King's Daughters Hospital of Yazoo City is located in General Hospital Service Area 3 (GHSA 3). According to the most recent data available to the Department, FY 2006, GHSA had 27 actual or approved MRI service locations, both mobile and

fixed. The Department has computed that these locations are operating at an actual 38.8 FTE MRIs, operational or CON approved. Also during FY 2006, these 38.8 FTE MRIs performed 72,280 MRI procedures. Therefore, there was an average of approximate 1,863 per FTE MRI unit. This is in excess of the minimum 1,700 per MRI unit required by the *FY 2007 State Health Plan*. This indicates that adverse impact to other MRI service providers would be minimal, especially when you consider that there presently is no MRI service provider in Yazoo County and the data suggests that perhaps there is a low MRI utilization rate by Yazoo County residents.

**General Hospital Service Area 3  
 Location and Number of MRI Procedures**

Facility	Location (City, County)	Type/No. of Equipment	Number of Procedures FY 2004*	Number of Procedures FY 2005*	Number of Procedures FY 2006**	Wk. Hours of Operation FY 2006**	FTE Unit FY 2006**
Baptist Madison County Imaging Center	Madison, Madison	F	CON	CON	CON	40	1.0
Central Miss Diagnostics Jackson	Jackson, Hinds	F	2,156	2,437	2,567	45	1.125
Central Miss Medical Center	Jackson, Hinds	2-F, 2-M	4,762	4,715	6,712	160 total	4.0
HRG - Prentiss Regional Hospital	Prentiss, Jeff Davis	M	103	33	117	7	0.175
SMI-Prentiss Regional Hospital	Prentiss, Jeff Davis	M	0	54	232	4	0.1
King's Daughters Medical Center	Brookhaven, Lincoln	M	1,013	916	1,142	40	1.0
Kosciusko Medical Clinic	Kosciusko, Attala	***F	2,279	2,383	2,211	37.5	0.9375
Madison Imaging	Madison, Madison	F	CON	CON	CON	40	1.0
Miss Baptist Medical Center	Jackson, Hinds	3-F, 1-M	11,867	10,513	9,912	144	3.6
Miss Diagnostic Imaging Center	Flowood, Rankin	2-F	8,507	7,792	6,421	100	2.5
Miss Sports Medicine & Orthopedic	Jackson, Hinds	2-F	3,434	3,420	3,444	100	2.5
Monfort Jones Memorial Hospital	Kosciusko, Attala	***F	CON	CON	305	10	0.25

Open MRI of Jackson	Flowood, Rankin	M	1,715	1,703	1,637	40	1.0
Open MRI - Hardy Wilson Hospital	Hazlehurst, Copiah	M	583	561	698	16	0.4
Rankin Medical Center	Brandon, Rankin	M	1,732	1,635	1,800	40	1.0
Ridgeland Diagnostic Center	Ridgeland, Madison	M	377	462	364	12	0.3
River Oaks Hospital	Flowood, Rankin	F	CON	758	4,239	40	1.0
River Region Health System	Vicksburg, Warren	F	3,296	3,392	3,419	56	1.4
Scott Regional Hospital	Morton, Scott	M	306	230	296	4	0.1
SE Lackey Memorial Hospital	Forrest, Scott	M	222	336	417	16	0.4
Sharkey - Issaquena Hospital	Rolling Fork, Sharkey	M	134	161	173	4	0.1
SMI - Lawrence County Hospital	Monticello, Lawrence	M	149	409	192	4	0.1
SMI - Magee General Hospital	Magee, Simpson	M	724	782	937	24	0.6
SMI - Simpson General Hospital	Mendenhall, Simpson	M	106	155	3	4	0.1
Southern Diagnostic Imaging	Flowood, Rankin	F	4,192	4,221	5,142	63	1.575
St. Dominic Hospital	Jackson, Hinds	2-F, 1-M	9,828	9,607	10,600	229.5	5.7375
University Hospital & Clinics	Jackson, Hinds	4-F	9,427	10,247	8,510	256	6.4
Vicksburg Diagnostic Imaging	Vicksburg, Warren	M	510	657	790	16	0.4
<b>Total</b>			<b>67,422</b>	<b>67,579</b>	<b>72,280</b>	<b>1,392</b>	<b>38.8</b>

\* Numbers from FY 2007 State Health Plan

\*\* Numbers obtained by survey by Mississippi State Department of Health

\*\*\* This is a shared fixed MRI unit utilized by both Kosciusko Medical Clinic and Monfort Jones Memorial Hospital, in Kosciusko, Attala County, Mississippi.

**GR Criterion 9 – Availability of Resources**

King's Daughters affirms that the proposed service will be staffed by the mobile service vendor, Preferred.

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

King's Daughters states that the project will not have any adverse effect on ancillary or support services.

**GR – Criteria 11 through 15 - are not applicable to this application.**

**GR Criterion 16 – Quality of Care**

King's Daughters will be a new provider of MRI service.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

Capital Improvements	-
Fixed Equipment	-
Non-Fixed Equipment	-
Land Cost	-
Site Preparation	-
Fees (Architectural, Consultant, etc)	<b>\$500</b>
Contingency Reserve	-
Capitalized Interest	-
<b>Total Proposed Capital Expenditure</b>	<b><u>\$500</u></b>

The proposed project will not require any new construction or renovation because it is service only. The capital expenditure of \$500.00 is for fees.

**B. Method of Financing**

King's Daughters intend to finance the proposed project's capital expenditure from accumulated cash reserves.

**C. Effect on Operating Costs**

The three-year projected operating statement for King's Daughters is provided in Attachment 1. The applicant's projections include: expenses, utilization, and results from operations for the first three years following completion of the proposed project. The applicant projects net income of \$78,000, \$79,000, and \$82,000 in the first, second, and third years, respectively.

**D. Cost to Medicaid/Medicare**

The applicant's projected cost to third party payors is as follows:

<b>Patient Mix by Payor</b>	<b>Utilization Percentage</b>	<b>First Year Expense</b>
<b>Medicaid</b>	19%	\$30,000
<b>Medicare</b>	43%	\$66,000
<b>Other/Private Pay</b>	38%	\$59,000
<b>Total</b>	<b>100%</b>	<b><u>\$155,000</u></b>
King's Daughters project that 1% of gross patient revenues will be provided for charity care.		

**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 will be paid as outlined in the Medicaid State Plan. The Division does not oppose the application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the offering of mobile MRI services as contained in the *FY 2007 Mississippi State Health Plan; Chapter 8 of the Mississippi Certificate of Need Review Manual, February 23, 2008 revision*; 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 King's Daughters Hospital of Yazoo County, Inc. d/b/a King's Daughters Hospital of Yazoo City to provide mobile MRI services for one-half day per week.

<b>ATTACHMENT 1</b>			
<b>King's Daughters Three-Year Operating Statement</b>			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Gross Patient Care Revenue	\$387,000	\$709,000	\$781,000
<b>Operating Expenses</b>			
Services (contractual)	\$77,000	\$133,000	\$137,000
<b>Total Operating Expense</b>	<b><u>77,000</u></b>	<b><u>133,000</u></b>	<b><u>137,000</u></b>
<b>Net Operating Income</b>	<b>\$78,000</b>	<b>\$79,000</b>	<b>\$82,000</b>
<b>Assumptions</b>			
Charge per Scan	\$2,150	\$2,363	\$2,603
Cost per Scan *	325	325	325
Number of Scans	180	300	300
Cost per Scan **	428	443	457

Note: \* Contract rate of cost per scan.

\*\* Applicant calculation for cost per scan.